

China's Greater Bay Area: Exploring Key Sectors for Direct Investment and M&A

**HONG KONG'S ROLE IN THE
GREATER BAY AREA**

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CHARLTONS
易周律师行

Key concept of Greater Bay Area is integration.

Hong Kong's role?

“... for Hong Kong, to consolidate and enhance its status as international financial, transportation and trade centres, strengthen its status as a global offshore Renminbi business hub and an international asset management centre, promote the development of its professional services and innovation and technology industries, and establish a centre for international legal and dispute resolution services in the Asia-Pacific Region.”

Framework Agreement on Deepening Guangdong - Hong Kong - Macao Cooperation in the Development of the Greater Bay Area (1st July 2017)



Hong Kong's Strengths in the Greater Bay Area

Attractive Business Environment

- “Big Market, Small Government”.
- Low and straightforward tax regime.

Thriving Financial Services Sector

- Range of well-regulated investment products.
- Thriving Hong Kong IPO Market.

Optimum Geographical Location

- Historic Entrepot for Mainland China & transshipment Port of South Asian Pacific region
- Hong Kong International Airport busiest cargo airport in the world (2019).

Hong Kong's Strengths in the Greater Bay Area

Unique Status as a Special Administrative Region

- Launch pad for businesses entering the Chinese market.
- Largest pool of RMB liquidity outside China

Well-established Legal System

- Rule of law.
- The Hong Kong International Arbitration Centre (HKIAC) leading dispute resolution organisation.

Education System

- Well-educated population.
- 5 local universities in world top 100 (QS ranking).

Innovation and Technology

Innovation and Technological Development are major goals stipulated in the initiative framework agreement.

Government administered policies to help startups:

- Guangdong-Hong Kong Technology Cooperation Funding Scheme
- Startup incubation services
- Hong Kong-Shenzhen Innovation and Technology Park

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2018 Reform on Listing Rules

Introduction of three new chapters to the Listing Rules

- Chapter 8A - Allow listing of companies with Weighted Voting Rights (WVR) structures
- Chapter 18A - Allow listing of pre-revenue biotechnology companies by lowering the listing threshold
- Chapter 19C - Allow secondary listing of Tech Companies primarily listed in other stock exchanges

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The Potential of Hong Kong Stock Exchange

- The number of technology companies in the Greater Bay Area is likely to surge. Technology companies need continuous research funding.
- Funding hub for Biotech Companies and other tech companies.
- Hong Kong as the fastest-growing pre-revenue biotech listing hub, competing with NASDAQ
- Secondary listing platform of Mainland tech giants
- The integration of Hong Kong, Shenzhen, and Shanghai Stock Exchange in the biotech market.



Economic Integration in the Great Bay Area

China's 14th five-year plan – The Dual Circulation Strategy

- Economic strategy in the 14th five-year plan. Priority is internal circulation.
- Strategy focuses on satisfying the needs of the internal market and reducing reliance on the overseas countries.

Stock Connect and Bond Connect

- Stock Connect enables Hong Kong and international investors to trade stocks listed on Shenzhen and Shanghai Stock Exchanges, and Mainland Chinese investors to trade stocks listed on Hong Kong Stock Exchange.
- Bond Connect enables Hong Kong and international investors to trade in the Mainland bond market



Wealth Management Connect

- Wealth Management Connect is the first connect scheme focused solely on the Greater Bay Area.
- All Hong Kong and GBA residents can participate in wealth management products offered in other Greater Bay Area cities.
- At launch stage, a proposed aggregate overall quota of RMB 150 billion flow in each direction; The quota for each individual is RMB 1 million.
- Only applicable to funds domiciled in Mainland or Hong Kong



Hong Kong's Potential in the Greater Bay Area

Rapid development of financial technology

- Cross-border transactions increases.
- Symbiotic relationship of Shenzhen's tech base and Hong Kong's financial services industry can potentially drive the whole Greater Bay Area forward.

Expanding orientation of Hong Kong financial products

- Hong Kong financial services sector now with a population of 86m, with a concentration of high net worth individuals.
- Financial services providers focus on the Mainland market.

Legal Profession as in the Greater Bay Area

Lawyers

- “Pilot Measures for Hong Kong and Macao Legal practitioners to obtain Mainland Practice Qualifications” implemented.
- Hong Kong and Macau lawyers exam to practise commercial law in the nine Mainland cities of the GBA

Law Firms

- Guangzhou liberalised the requirement for Hong Kong law firms to form partnerships with Guangzhou law firms - Minimum Capital Injection requirement abolished.

Cross-Border Dispute Resolution in the Greater Bay Area

Mediation

- Mediation promoted a solution
- The Hong Kong Government and Mainland Government signed an Investment Agreement, which provides a “Mediation Mechanism for Investment Disputes”.
- A “GBA Mediation Platform” was proposed by relevant government legal departments



Cross-Border Dispute Resolution in the Greater Bay Area

Arbitration

- Arbitration maybe preferred for commercial disputes in part due to confidentiality
- The Hong Kong Government and Mainland Government signed a “Supplemental Arrangement Concerning Mutual Enforcement of Arbitral Award”, which provides for reciprocal enforcement arrangements of arbitral awards.
- The Hong Kong government supported the development of an online electronic platform eBRAM (Business Related Arbitration and Mediation), which aims to assist cross-border dispute resolution

Hong Kong's Common Law in the Greater Bay Area

- Hong Kong only common law jurisdiction in the Greater Bay Area
- Common Law may be the preferred legal system for dispute resolution by International and Hong Kong companies
- Hong Kong's legal system - balance between integration and preserving the strengths of the current system.

The Way Forward for Hong Kong in the Greater Bay Area

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