

Navigating Connectivity: Exploring ASEAN Opportunities for the Greater Bay Area



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Navigating Connectivity - Exploring ASEAN Opportunities for the Greater Bay Area

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Executive Summary

The Association of Southeast Asian Nations (ASEAN) comprises 10 member countries – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, Singapore and Vietnam. With its large, young population and improving business environment, ASEAN is increasingly attracting overseas investment. At the same time, connectivity between China and ASEAN has been improving, with the mainland now the bloc's largest trading partner, as well as an important source of foreign investment.

With the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) having a focus on high-end development, many of its businesses are now looking to expand well beyond its borders. In line with the GBA development plan, connections between Hong Kong and its GBA partner cities have been multiplying. This has all been bolstered by the *ASEAN-Hong Kong, China Free Trade Agreement*, which came into full effect in February 2021. Essentially streamlining the delivery and management of trade and investment initiatives between the ASEAN bloc, the mainland GBA cities and Hong Kong, the agreement has played an important role in boosting the trade and investment flow between the three parties.

Looking to gain a greater understanding of the dynamics of the growing engagement between the three parties, in the third quarter of 2023, *HKTDC Research* and *United Overseas Bank Hong Kong (UOB Hong Kong)* jointly conducted a questionnaire survey of 671 GBA enterprises and in-depth interviews with 10 companies. The overall objective was to get a clearer picture of the post-pandemic trade and investment trends among those GBA enterprises active in the ASEAN market, as well as to define and explore the role played by Hong Kong. The results of the survey were then compared with the findings of an earlier joint report from 2021 – *Trade and Investment between GBA and ASEAN and the Roles of Hong Kong*.

Increased eagerness to expand ASEAN business

The survey results showed that, although the somewhat downbeat global economic situation has curtailed many investment and expansion aspirations to a certain degree, a substantial number of GBA enterprises remain committed to their ASEAN investment plans. In fact, more than 70% of the enterprises surveyed indicated their intention to initiate or expand ASEAN-related business in the next three years, compared with about 60% in 2021. Furthermore, among the surveyed enterprises that are already active within the ASEAN bloc, an impressive 96% said they would maintain or expand their existing business in the next three years.

ASEAN as a major market and sourcing/production base

In terms of business operations, nearly 85% of GBA enterprises will maintain or expand their sales operations in the ASEAN region in the next three years. The proportion looking at expansion is close to 90% among those enterprises that already have a presence in ASEAN, indicating that ASEAN is still a priority market for GBA enterprises. Moreover, 30% of the enterprises surveyed expect to maintain or start sourcing / production operations in the ASEAN region in the next three years, while the proportion for those yet to establish a foothold in the bloc recorded as 32%. This shows that the role played by ASEAN in satisfying the diverse supply-chain needs of GBA enterprises has become increasingly important.

Malaysia and Singapore as key markets

Malaysia, Singapore, Thailand and Vietnam are the primary targets for those GBA enterprises that are already active in ASEAN. The development plan of these enterprises for the next three years remains notably focussed on these four markets. For those involved in the provision of consumer goods; business, professional and financial services; real estate, hospitality and construction; or technology, media and telecommunications, the most important ASEAN markets are Malaysia, Singapore, and Thailand. For those focussing on industrial goods, however, Malaysia, Singapore and Vietnam are seen as the priority markets.

Significant changes in ASEAN's attractiveness for GBA enterprises

Compared with the 2021 survey, "huge market" (55.9%) has replaced "incentives and investment policies" (49.6%) as the most important of the top three attributes that attract GBA enterprises. ^[1]As e-commerce is gaining in popularity, the proportion of GBA enterprises to find the growing e-commerce market attractive (32.8%) is higher than in the previous survey.

Digitalisation trend

GBA enterprises are adopting various digital tools in order to address the challenges and create opportunities in the ASEAN markets. Among those enterprises engaging in trade or investment within the bloc, digital marketing is the most widely adopted channel (66.8%), followed by sales and sourcing related e-commerce (61.4%).

RCEP empowers expansion into ASEAN

Overall, the *Regional Comprehensive Economic Partnership (RCEP)* is a development favoured by many of the enterprises surveyed. Indeed, the survey results show that most enterprises expect *RCEP* to have multiple positive effects on their ASEAN business strategies over the next two years. Specifically, the most anticipated benefit is an increase in ASEAN-focussed sales and promotion activity (64.4%), followed by increases in e-commerce activities (48.4%), sourcing activities (31.4%) and capital investments (29.1%). As a result, some enterprises intend to relocate their production operations from non-*RCEP* areas (7.9%) or other *RCEP* areas (4.3%) to ASEAN.

Hong Kong as a highly valued connector

With regard to the importance of Hong Kong for the ASEAN-focussed trade and investment activities of GBA enterprises, survey participants accorded Hong Kong an average score of 7.05 out of 10, an outcome in line with the results of the previous survey. This indicates that enterprises still highly value Hong Kong's role as the bridge connecting the GBA and the ASEAN bloc. They also acknowledge that Hong Kong can help mainland enterprises cultivate overseas markets – especially the increasingly important ASEAN ones – by providing the kind of appropriate and high quality service support required to capitalise on the immense regional development opportunities.

[1] Here, it does not refer to the top three aspects but the proportion of respondents naming an aspect as "one of the top three attractive aspects".

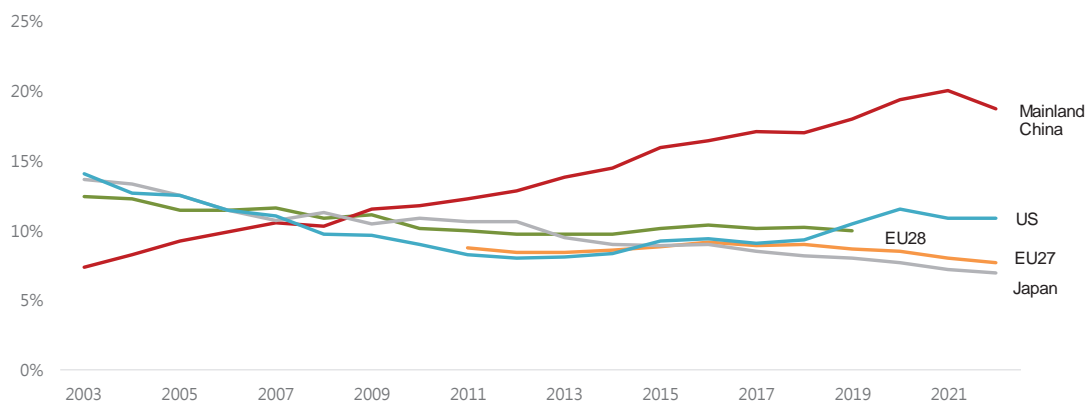
China-ASEAN Economic and Trade Relations

With a total population of 680 million, accounting for 8.1% of the world population in 2022, ASEAN is a huge market and the world's most populous economy after China and India. According to the *United Nations'* world population database, the median age in Southeast Asia (covering only ASEAN and East Timor) is 30.4, far lower than the mainland (39) or Hong Kong (45.9). Large young population, coupled with expected average annual per capita GDP growth of 4%, means that it has colossal economic development and consumption potential. It is expected that its young population will drive rapid regional development, seeing the bloc rise from its present position as the world's fifth-largest economy to its fourth by 2030.

ASEAN's enormous development potential has inevitably attracted many traders and investors, all of whom are helping ASEAN's economy recover rapidly, with policy support and the post-pandemic resumption of trade also playing their part. Challenges such as the global economic slowdown and high inflation notwithstanding, ASEAN's economic momentum remains strong, with its mid to long-term economic growth prospects seen as bright. Post-pandemic, ASEAN's trade in goods has rocketed, with total trade in 2022 hitting a historic high of US\$3.85 trillion, up 36.6% from the pre-pandemic 2019 total. The inflow of foreign capital has also risen, with foreign direct investment (FDI) reaching an all-time high of US\$224 billion in 2022, up 35% from 2019. The performance of individual countries is even more striking – Malaysia recorded the highest growth at 117.5%, followed by Thailand (80.1%), Myanmar (72.3%) and Singapore (44.8%).

ASEAN's major trading partner

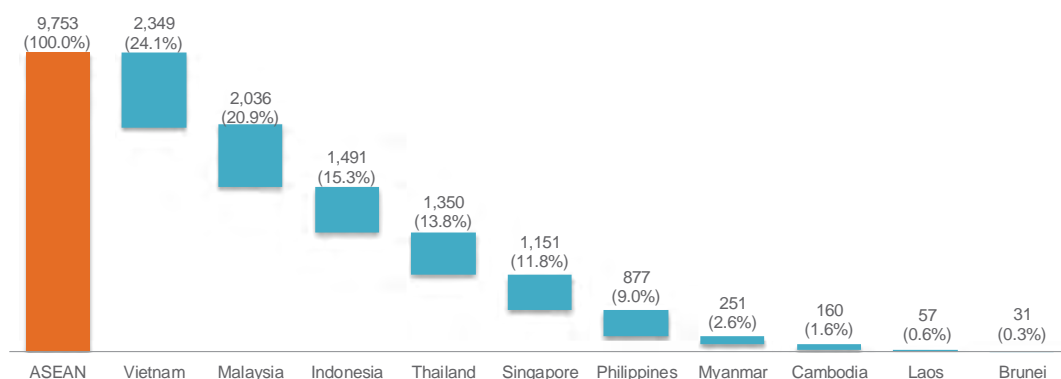
Share of trade value with ASEAN



Source: ASEANstats

Trade between Mainland China and ASEAN countries in 2022

Total Trade Value (in USD\$100 million) and share (%)



Source: China Customs



ASEAN's economy has been expanding steadily in the last decade, with overall GDP growing at an average annual rate of 5%. A rising demographic dividend, its emerging middle-class and sustained improvements in its business environment have all combined to make the bloc one of the region's prime investment destinations. At the same time, several regional economic and trade agreements have helped strengthen ASEAN's economic and trade ties with the mainland and Hong Kong over recent years.

Largely on account of ASEAN's proximity to the mainland, economic and trade exchanges between the two have long been frequent, with the level of co-operation growing in recent years. In 2002, China and ASEAN signed the *Framework Agreement on China-ASEAN Comprehensive Economic Co-operation*. In 2010, the China-ASEAN Free Trade Area – the first free trade area ever negotiated between China and a foreign party – was established. With lower trade tariffs and the reciprocal opening up of the respective investment markets, bilateral trade between the two parties has soared.

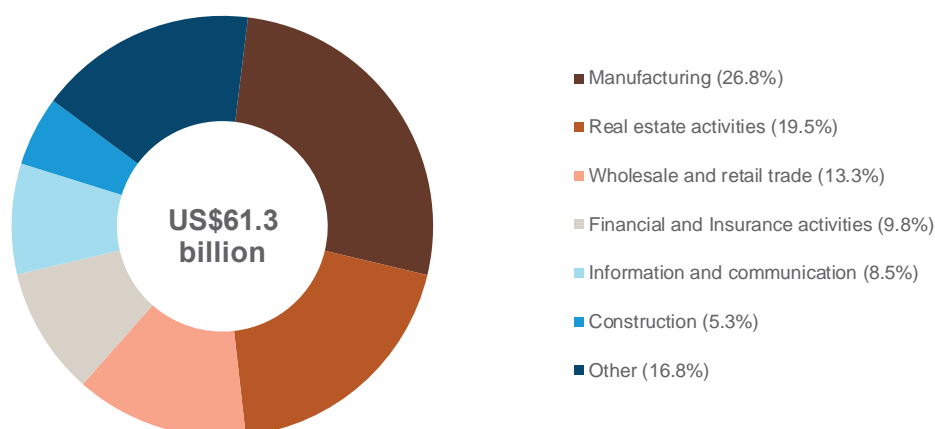
Since 2009, China has overtaken Europe and the US to become ASEAN's largest trading partner. According to the *ASEAN Secretariat*, the total trade in goods between mainland China and ASEAN in 2022 reached US\$722 billion, accounting for almost one-quarter (24.2%) of ASEAN's external trade, up from 15.3% in 2009.

ASEAN is also the mainland's largest trading partner, accounting for 15.5% of the mainland's total trade. Among the 10 ASEAN countries, Vietnam's trade with the mainland is the most striking, with its share of mainland-ASEAN trade having grown steadily from 10.3% in 2010 to 24.1% in 2022. Trailing behind are Malaysia (20.9%), Indonesia (15.3%) and Thailand (13.8%). In 2022, the mainland's total trade with Vietnam, Malaysia, Indonesia and Thailand accounted for 74.1% of the mainland's trade with ASEAN.

Economic ties between China and ASEAN have become increasingly close and, with strategic support from the *Belt and Road Initiative* and *RCEP*, more and more mainland funds have been invested in the ASEAN markets. In recent years, ASEAN has become a major target market for the mainland's direct investment flow. According to the *Statistical Bulletin of China's Outward Foreign Direct Investment*, as of the end of 2015, of the top 20 destinations of China's outward FDI stock, four were ASEAN countries. By the end of 2021, six had attained that status – Singapore (5th), Indonesia (8th), Vietnam (15th), Malaysia (17th), Laos (18th) and Thailand (19th).

China has gradually become one of the leading investors in ASEAN. According to the *ASEAN Secretariat*, China's FDI flow to ASEAN amounted to US\$15.4 billion in 2022, accounting for 6.9% of the total FDI destined for the bloc, making China its third-largest FDI source after the US and Japan. Of China's investment in ASEAN in the past five years, 26.8% flowed to the manufacturing sector, followed by real estate (19.5%), wholesale and retail trade (13.3%), financial and insurance activities (9.8%) and information and communication (8.5%).

Direct investment from mainland China to ASEAN between 2018 and 2022



Source: ASEANstats

Both mainland China and the ASEAN bloc have been actively building economic and trade relationships with a number of partner nations. Both were *RCEP* co-signatories alongside Australia, Japan, South Korea and New Zealand in November 2020 as part of moves to foster the development and complementarity of supply chains among member countries. With *RCEP* entering into force on 1 January 2022, member countries are now working to lower trade barriers and expand trade access. This has injected increased vitality into trade and investment in the region (including the mainland and ASEAN) and contributed to a regional economic boom.

Southern China's Guangdong province plays an important role in trade between the mainland and ASEAN. According to China customs figures, ASEAN is the top trading partner for Guangdong. In 2022, the total value of trade in goods exchanged between Guangdong and ASEAN reached RMB1,355 billion, of which RMB729 billion was from Guangdong's exports. This accounts for almost one-fifth of China's total export value in goods to ASEAN, making Guangdong the lead mainland province in terms of goods exports to ASEAN.

As the GBA focusses on high-end development, enterprises in the area are actively expanding outwards, with ASEAN naturally viewed as an ideal trading partner and a prime investment destination. In line with the overall GBA strategy, Hong Kong's connections with the other GBA cities are growing by the day. Since the *ASEAN-Hong Kong, China Free Trade Agreement* came into full effect in February 2021, trade and investment activities among ASEAN countries, the mainland GBA cities and Hong Kong have become easier to manage. This agreement is also playing an important role in facilitating trade and investment flows between the three parties.

As the most internationalised investment platform for mainland enterprises, Hong Kong handles approximately two-thirds of China's inward and outward investments. As a result, some mainland enterprises have even chosen to set up an office in the city in order to simplify the overseas investment process. It is also notable that Hong Kong's total FDI stock in the ASEAN bloc has more than trebled, rising from US\$24.2 billion in 2010 to US\$76.9 billion in 2021.

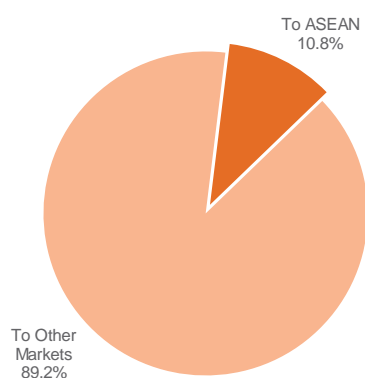
Hong Kong, as Asia's leading business hub, inevitably attracts many traders and investors from both the mainland and the ASEAN bloc. According to Hong Kong's Census and Statistics Department, as of 2022, mainland enterprises have set up 251 regional headquarters, 327 regional offices and 1,536 local offices in the city, accounting for almost a quarter of all enterprises stationed in Hong Kong. Meanwhile, the number of regional headquarters, regional offices and local offices set up by ASEAN enterprises in Hong Kong has almost doubled, rising from 328 in 2003 to 648 in 2022.

As trade between China and ASEAN has increased, the share of manufactured goods from China destined for ASEAN and re-exported via Hong Kong has also risen gradually, increasing from less than 8% before 2014 to 10.8% in 2022 and now amounting to US\$28.5 billion. Of these re-exports, nearly 60% were capital goods, 30% were raw materials and semi-finished products and the rest were mainly consumer products and foodstuffs.

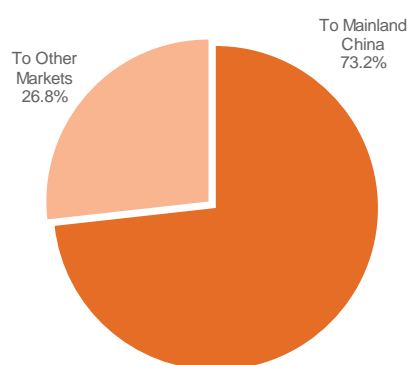
For ASEAN, Hong Kong is the ideal gateway when it comes to accessing mainland China. In the last 10 years, the quantity of products manufactured in ASEAN and re-exported through Hong Kong has increased by more than 7% annually. In total, more than 70% of these products were destined for the mainland, with their value soaring from US\$23.90 billion in 2012 to US\$50.59 billion in 2022. More than 60% of these products were raw materials and semi-finished products, while 30% were capital goods and the rest were mainly consumer products and foodstuffs.

The volume of goods re-exported via Hong Kong to and from the mainland and ASEAN has also been growing continuously. The fact that most of these goods are raw materials, semi-finished products and capital goods indicates that supply chains have been extended from the mainland to several ASEAN countries. This has seen the role of Hong Kong as an entrepôt and a gateway for goods to flow between the two locations become increasingly important.

Destination of goods originating from mainland China and re-exported through Hong Kong in 2022



Destination of goods originating from ASEAN and re-exported through Hong Kong in 2022



Source: *Census and Statistics Department*, HKSAR Government



In recent years, Hong Kong has been actively strengthening its economic and trade ties with the ASEAN bloc. In July 2023, Chief Executive John Lee visited Singapore, Indonesia and Malaysia in order to promote economic and technology co-operation between Hong Kong and ASEAN. During the visit, Hong Kong signed more than 30 memorandums of understanding with the three countries, covering trade, finance, logistics, railway and property development, digital transformation, aerospace technology and academic research. One key development project is the *MTR Corporation's* involvement in the technical design and construction planning of a project linking the Johor Bahru-Singapore rapid transit system with the terminal station of the new line and a nearby Malaysian government complex building, as well as the long-term development of the adjacent land. Another key project is the collaboration between *Hong Kong Exchanges and Clearing* and the *Indonesia Stock Exchange* with regard to exploring opportunities relating to cross-border listings, product development and ESG initiatives, such as the promotion of sustainable finance in Asia.

Hong Kong is a vital link between the GBA and ASEAN thanks to its unique geographical location and its outstanding advantages in the finance, business and logistics sectors. In order to glean a greater understanding of the latest development trends in ASEAN, this study also examined the views of GBA enterprises trading with and investing in ASEAN. It also examined the role of Hong Kong as the hub connecting the GBA and ASEAN, while exploring how to further enhance and consolidate Hong Kong's function as a trading and investment platform, as well as bolstering its competitiveness.

ASEAN Market: Major Trends in Exploring Business Opportunities

HKTDC Research, in collaboration with *United Overseas Bank Hong Kong (UOB Hong Kong)*, conducted a questionnaire survey and in-depth interviews with GBA businesses in the third quarter of 2023. The survey aimed to gather the views of enterprises based in the GBA on post-Covid expansion of the ASEAN market, and to look into the changes in their activities so as to better understand the role played by Hong Kong in facilitating trade and investment between the GBA and ASEAN and the demand of GBA businesses for Hong Kong services. Findings of this survey were then compared with the data collected in the *Trade and Investment between GBA and ASEAN and the Roles of Hong Kong* study carried out in 2021 with a view to identifying changes in the activities of GBA businesses.



Greater expansion in the ASEAN market

Findings of the present survey show that while the current global economic slowdown has dampened the eagerness of businesses to pursue investment and expansion, GBA enterprises are still enthusiastic about investing in ASEAN. Over 70% of the respondents said they would enter or expand in the ASEAN market in the next three years, compared with 60% in the 2021 survey. Besides, for respondents who are already doing business in ASEAN, with 96% of them indicating that they would maintain or expand their activities in the next three years.

Malaysia, Singapore, Thailand and Vietnam are the most popular business partners for GBA enterprises operating in the ASEAN market. Malaysia has now emerged as the most preferred trading partner and investment destination in ASEAN since 2021, while Thailand has climbed from fourth to third place. Malaysia, Singapore, Thailand and Vietnam are the top choices for GBA enterprises' development plans over the next three years.

GBA businesses' rate of growth^[2] in Malaysia and Singapore is apparently faster than it was in 2021. The rate of growth in Thailand is more or less the same as in 2021, while growth in other ASEAN markets has slightly slackened.

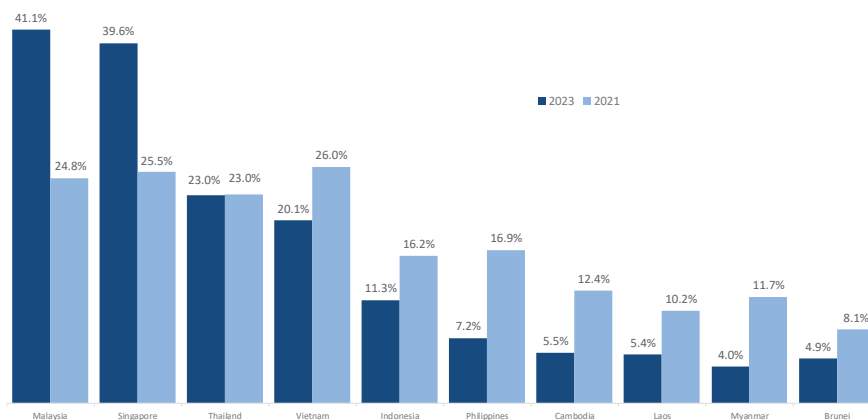
All Respondents	Current ranking of market penetration rate in ASEAN		Ranking of market expansion in ASEAN in next 3 years	
	2023	2021	2023	2021
Malaysia	1	3	1	3
Singapore	2	1	2	1
Thailand	3	4	3	4
Vietnam	4	2	4	2
Philippines	5	6	6	6
Indonesia	6	5	5	5
Cambodia	7	7	7	7
Laos	8	9	8	9
Myanmar	8	8	9	8
Brunei	10	10	10	10

Source: HKTDC survey

The market penetration rate of Greater Bay Area enterprises in ASEAN is expected to significantly increase.

The extent of expansion in the next 3 years

The percentage of respondents, 671 respondents (2023), 657 respondents (2021)



Source: HKTDC survey

[2] Calculated based on the difference between the current penetration rate and that of the next three years.

Sales and sourcing/production are GBA enterprises' focus in ASEAN in next three years

Responses from the surveyed enterprises show that about 85% of GBA businesses plan to maintain or expand sales in the ASEAN market in the next three years, showing that they are most positive about selling products in the region. Businesses that are already engaged in trading or investment in ASEAN are more aggressive than those that have not yet made an entry into that market. Nearly 90% of the former plan to expand sales in ASEAN in the next three years, reflecting that businesses with a better understanding of ASEAN are more optimistic about its market prospects. In addition, 30% of respondents indicated that they would maintain or develop sourcing or production activities in ASEAN in the next three years. Among them, enterprises that have not yet tapped into the ASEAN market (32.0%) are more positive about this than those that have already made an entry (28.7%). This shows that an increasing number of GBA enterprises hope to develop sourcing or production activities in ASEAN in order to strengthen supply chain resilience. Moreover, nearly 20% of all surveyed businesses said that they will set up or continue to run their regional office in ASEAN in the next three years, while about 30% of enterprises with operations already in the region said the same. This suggests that these GBA enterprises wish to make use of their regional office to bolster ASEAN business. However, only about 5% of the respondents plan to use ASEAN as an R&D centre or financing hub, suggesting that ASEAN has yet to enhance its role in these areas.

Business footprint in next 3 years (%)	Total	Companies currently engaged in trading, investment or operation in ASEAN	Companies currently not operating in ASEAN but planning to engage in trading, investment or operation there in next 3 years
As regional office	20.9%	26.1%	17.6%
As market	84.9%	88.9%	82.4%
As production/sourcing base	30.7%	28.7%	32.0%
As financing hub	4.9%	6.5%	3.9%
As R&D centre	4.3%	3.8%	4.6%

Source: HKTDC survey

Businesses most eager to promote sales

GBA enterprises are most enthusiastic about promoting sales in Malaysia, Singapore and Thailand. Over 60% of the surveyed enterprises plan to launch sales in Singapore and Malaysia in the coming three years, while more than 40% intend to target Thailand in the next three years. Malaysia is currently GBA enterprises' most preferred market for sales and its ranking is expected to be maintained over the next three years.

All Respondents	Current ranking of markets		Ranking of markets in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Malaysia	1	2	1	2	+36.8%	+22.8%
Singapore	2	1	2	1	+36.4%	+23.1%
Thailand	3	4	3	4	+19.5%	+20.7%
Vietnam	4	3	4	3	+6.9%	+22.2%
Philippines	5	6	5	5	+6.3%	+14.2%
Indonesia	6	5	6	6	+7.9%	+12.2%
Cambodia	7	7	7	7	+3.6%	+10.7%
Laos	8	8	8	9	+3.6%	+7.9%
Myanmar	9	8	10	8	+3.1%	+9.6%
Brunei	10	10	9	10	+4.3%	+6.5%

Source: HKTDC survey

GBA businesses seem to be devoting greater efforts to advancing supply chain diversification as compared with the previous survey. The production or sourcing activities of GBA enterprises in all the markets in ASEAN have increased over 2021. Vietnam remains the most preferred production or sourcing base for GBA enterprises, with Malaysia coming second and Indonesia moving up to third place. This ranking is expected to remain about the same over the next three years.

All Respondents	Current ranking of production or sourcing bases		Ranking of production or sourcing bases in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Vietnam	1	1	1	1	+13.4%	+7.3%
Malaysia	2	2	2	5	+5.7%	+1.8%
Indonesia	3	4	3	3	+3.6%	+3.8%
Thailand	4	2	4	2	+4.6%	+5.8%
Singapore	5	5	8	4	+0.7%	+5.0%
Philippines	6	7	9	6	+0.9%	+4.0%
Myanmar	7	6	6	8	+1.5%	+1.8%
Cambodia	8	8	6	7	+1.8%	+2.9%
Laos	9	9	5	9	+2.2%	+2.3%
Brunei	10	10	10	10	+0.7%	+1.1%

Source: HKTDC survey

As their location for setting up a regional office, GBA enterprises still opt for Singapore, Malaysia and Thailand, as they did in the 2021 survey.

All Respondents	Current ranking of locations of regional office		Ranking of locations of regional office in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Singapore	1	1	1	1	+6.4%	+6.1%
Malaysia	2	2	2	3	+5.1%	+2.3%
Thailand	3	3	3	2	+2.5%	+4.4%
Philippines	3	6	5	5	+0.6%	+2.1%
Vietnam	5	5	4	3	+2.1%	+4.4%
Cambodia	6	7	7	7	+0.4%	+1.2%
Indonesia	7	4	6	5	+1.2%	+1.4%
Laos	8	8	9	9	+0.4%	+0.9%
Myanmar	8	9	8	10	+0.6%	+0.6%
Brunei	8	9	10	8	+0.1%	+1.4%

Source: HKTDC survey

All Respondents	Current ranking of financing centre		Ranking of financing centre in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Singapore	1	1	1	1	+2.4%	+1.5%
Thailand	2	3	5	5	+0.1%	-0.2%
Vietnam	3	4	5	2	+0.3%	+0.5%
Philippines	3	2	4	2	+0.4%	0.0%
Indonesia	3	4	3	4	+0.6%	+0.3%
Malaysia	6	4	2	9	+1.3%	0.0%
Cambodia	7	4	8	5	+0.3%	+0.2%
Laos	7	4	7	5	+0.4%	+0.2%
Myanmar	9	4	9	5	+0.1%	+0.2%
Brunei	9	10	10	9	0.0%	+0.2%

Source: HKTDC survey

All Respondents	Current ranking of R&D centre		Ranking of R&D centre in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Singapore	1	1	1	1	+1.9%	+1.2%
Malaysia	2	3	2	2	+1.0%	+0.8%
Vietnam	3	3	3	4	+0.3%	+0.6%
Thailand	3	2	3	2	+0.3%	+0.5%
Philippines	3	7	5	8	+0.1%	+0.3%
Indonesia	3	3	5	4	+0.1%	+0.6%
Cambodia	7	7	7	8	+0.1%	+0.3%
Laos	7	7	7	10	+0.1%	0.0%
Myanmar	7	3	7	6	+0.1%	+0.5%
Brunei	7	7	7	7	+0.1%	+0.5%

Source: HKTDC survey

Different industries choose similar markets

GBA enterprises in the four industry sectors of consumer goods; business, professional and financial services (BPFS); real estate, hospitality and construction (RHC); and technology, media and telecoms (TMT) tend to prefer Malaysia, Singapore and Thailand as business targets. Meanwhile, enterprises handling industrial goods tend to find Malaysia, Singapore and Vietnam more attractive. Compared with the 2021 survey, the ranking of Malaysia has risen in several sectors.

Consumer Goods Enterprises	Current ranking of commercial or investment activities		Ranking of commercial or investment activities in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Malaysia	1	1	2	1	+45.0%	+26.1%
Singapore	2	2	1	3	+48.1%	+23.4%
Thailand	3	4	3	4	+26.0%	+19.8%
Indonesia	4	6	5	6	+9.2%	+10.8%
Vietnam	5	2	4	2	+17.6%	+24.3%
Philippines	6	5	6	5	+4.6%	+10.8%
Myanmar	7	8	8	8	+3.1%	+8.1%
Cambodia	8	7	7	7	+5.3%	+9.9%
Laos	8	9	8	9	+3.8%	+8.1%
Brunei	10	9	10	10	+2.3%	+7.2%

Source: HKTDC survey

Industrial Goods Enterprises	Current ranking of commercial or investment activities		Ranking of commercial or investment activities in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Malaysia	1	4	1	4	+39.4%	+30.6%
Singapore	2	3	2	2	+30.3%	+26.1%
Vietnam	3	2	3	3	+27.5%	+23.4%
Thailand	4	1	4	1	+20.2%	+28.8%
Philippines	5	6	6	5	+8.3%	+19.8%
Indonesia	6	5	5	5	+14.7%	+18.9%
Myanmar	7	9	8	7	+4.6%	+18.0%
Cambodia	7	7	9	7	+2.8%	+13.5%
Brunei	9	8	7	10	+6.4%	+10.8%
Laos	10	10	10	9	+3.7%	+17.1%

Source: HKTDC survey

Business,
Professional
and
Financial
Services
Enterprises

	Current ranking of commercial or investment activities		Ranking of commercial or investment activities in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Singapore	1	1	2	1	+38.9%	+26.4%
Malaysia	1	4	1	3	+40.3%	+24.3%
Thailand	3	3	3	4	+20.8%	+20.9%
Vietnam	4	2	4	2	+18.8%	+28.4%
Philippines	5	6	6	6	+4.2%	+17.6%
Indonesia	6	5	5	5	+6.9%	+20.9%
Cambodia	7	7	7	7	+1.4%	+18.2%
Laos	8	9	7	9	+2.1%	+10.8%
Myanmar	9	8	9	8	+2.8%	+14.9%
Brunei	9	10	10	10	+2.1%	+10.8%

Source: HKTDC survey

Real Estate,
Hospitality
and
Construction
Enterprises

	Current ranking of commercial or investment activities		Ranking of commercial or investment activities in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Malaysia	1	3	1	3	+41.7%	+22.8%
Singapore	2	1	2	1	+41.7%	+24.8%
Thailand	3	4	3	4	+25.0%	+24.8%
Vietnam	4	2	4	2	+16.0%	+24.1%
Indonesia	5	5	5	6	+16.7%	+15.2%
Philippines	6	6	6	5	+6.9%	+21.4%
Cambodia	7	7	7	7	+8.3%	+14.5%
Laos	8	8	8	8	+6.9%	+11.0%
Myanmar	8	10	9	9	+4.2%	+13.1%
Brunei	10	9	10	10	+4.9%	+6.2%

Source: HKTDC survey

Technology,
Media and
Telecoms
Enterprises

	Current ranking of commercial or investment activities		Ranking of commercial or investment activities in next 3 years		Extent of expansion in next 3 years	
	2023	2021	2023	2021	2023	2021
Malaysia	1	1	1	3	+39.2%	+21.8%
Singapore	2	2	2	1	+37.8%	+26.1%
Thailand	3	4	3	4	+22.4%	+21.1%
Vietnam	4	3	4	1	+22.4%	+28.9%
Philippines	5	5	5	5	+11.9%	+14.1%
Indonesia	6	6	6	6	+9.8%	+14.8%
Cambodia	7	7	8	7	+9.1%	+5.6%
Myanmar	7	8	10	8	+5.6%	+4.9%
Laos	7	9	7	9	+9.8%	+4.9%
Brunei	10	10	9	10	+9.1%	+5.6%

Source: HKTDC survey

Government policy support creates huge market opportunities

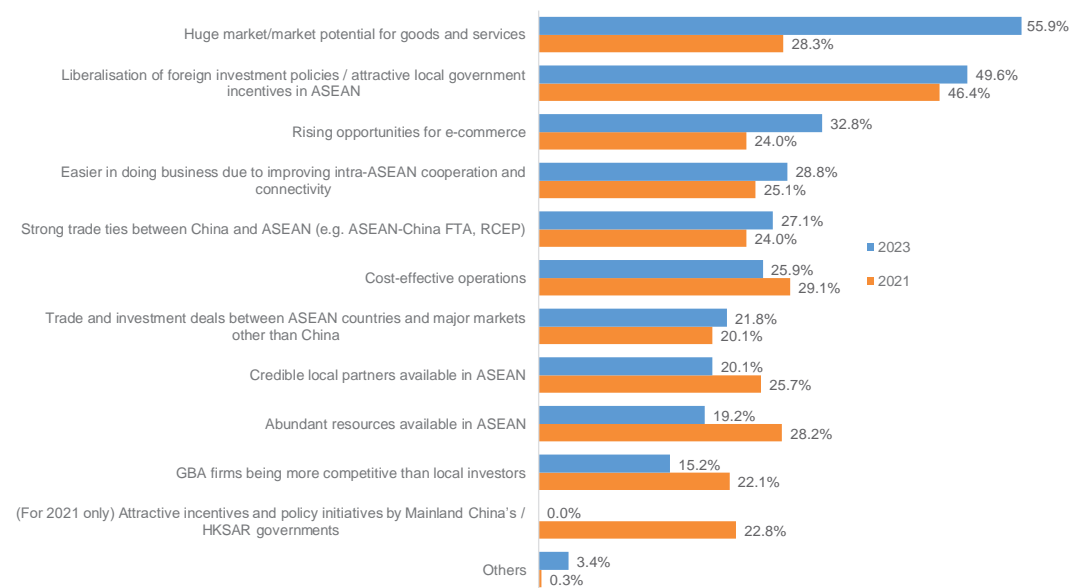
The findings of the present survey show several changes in the rankings for ASEAN countries reflecting the attitude of GBA enterprises to the market. Compared with 2021, the drawing power of ASEAN's huge market is more often cited (55.9%) than government incentives and investment policies (49.6%) in 2021 and market size is now the top attraction^[3] for GBA enterprises. During the in-depth interviews, it was also found that many respondents expect the middle-class in ASEAN to keep growing and that their rising purchasing power will create a huge consumer market. As e-commerce becomes increasingly popular, the proportion of GBA enterprises finding the expanding ASEAN e-commerce market attractive (32.8%) is higher than that in the previous survey (24.0%).

On account of closer regional economic co-operation in Asia, continued development of the BRI, and implementation of RCEP, more and more opportunities have been emerging from the vast ASEAN goods and services market, attracting a great number of businesses. The Covid pandemic drove the development of e-commerce in ASEAN which has in turn drawn in an increasing number of GBA enterprises.

Beyond investment policies and government incentives, the huge market potential becomes the most attractive factor

Top 3 attractive aspects of ASEAN as a trading partner or investment destination

The percentage of respondents, 671 respondents (2023), 657 respondents (2021)



Source: HKTDC survey

[3] Here, it does not refer to the top three aspects but the proportion of respondents naming an aspect as "one of the top three attractive aspects".

Top 3 attractive aspects of ASEAN as a trading partner or investment destination	Consumer goods	Industrial goods	Business, professional and financial services	Real estate, hospitality and construction	Technology, media and telecoms
Huge market/market potential for goods and services	63.4%	45.9%	59.7%	63.2%	45.5%
Liberalisation of foreign investment policies / attractive local government incentives in ASEAN	51.9%	67.9%	48.6%	43.8%	40.6%
Rising opportunities for e-commerce	45.8%	38.5%	34.0%	25.7%	22.4%
Credible local partners available in ASEAN	18.3%	19.3%	14.6%	22.9%	25.2%
Cost-effective operations	13.7%	38.5%	27.8%	27.1%	24.5%
Strong trade ties between China and ASEAN (e.g. ASEAN-China FTA, RCEP)	24.4%	18.3%	28.5%	28.5%	33.6%
GBA firms being more competitive than local investors	7.6%	14.7%	14.6%	18.8%	19.6%
Trade and investment deals between ASEAN countries and major markets other than China	24.4%	8.3%	20.8%	16.7%	35.7%
Easier for doing business due to improving intra-ASEAN co-operation and connectivity	25.2%	29.4%	27.8%	34.7%	26.6%
Abundant resources available in ASEAN	19.8%	18.3%	18.8%	16.7%	22.4%

Remarks: Figures in the blue boxes are attractive aspects named by most respondents in their respective industry sector, while figures in the orange boxes indicate the top three attractive aspects named by respondents in their respective industry sector.

Source: HKTDC survey

Navigating local government policies and regulations for foreign investment is the biggest challenge

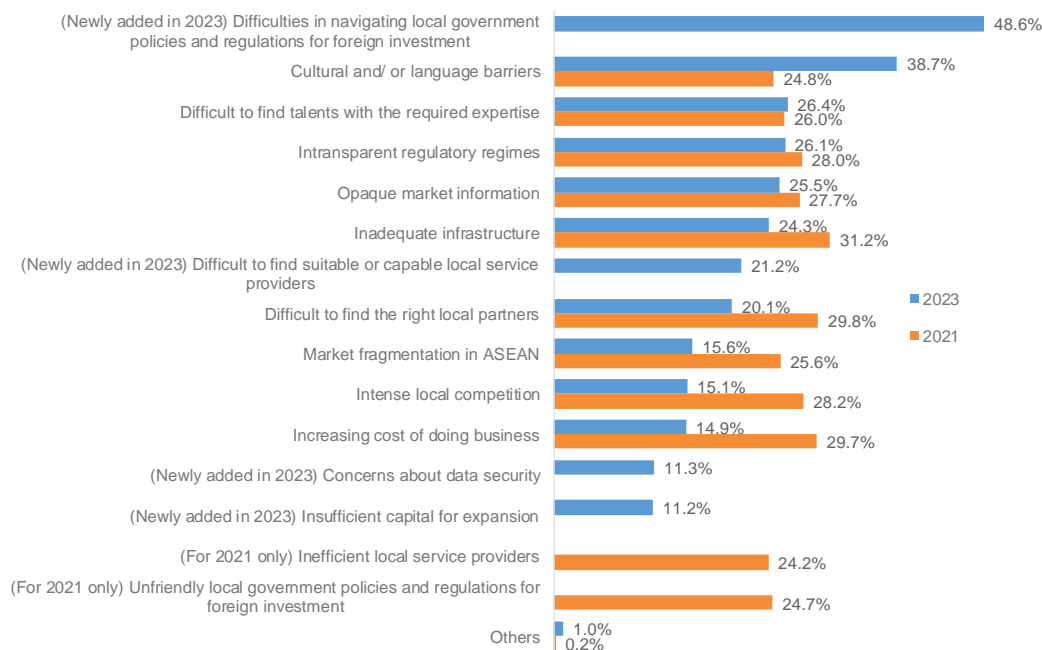
The surveyed enterprises expressed their concerns about the difficulties and challenges they have encountered or might encounter in the course of doing business in ASEAN. Navigating local government policies and regulations for foreign investment (48.6%), overcoming cultural or language barriers (38.7%), and finding talents with the required expertise (26.4%), are the top three challenges named^[4], whereas in the 2021 survey the major challenges mentioned were inadequate infrastructure, difficulty finding the right local partners, and the increasing cost of doing business.

For smaller sized enterprises, market fragmentation in ASEAN is a major challenge. 20.1% of the enterprises with an annual business turnover of under US\$10 million consider this to be one of the top three challenges. It is likely that such enterprises do not have sufficient resources to cover the huge and fragmented ASEAN market entirely. However, only 7% of larger sized enterprises hold the same view.

Companies are concerned about how to navigate local government policies and regulations for foreign investment, while GBA Mainland companies place more attention to cultural and language barriers

Top 3 challenges/ difficulties companies have encountered/ might encounter when trading with, investing or operating in ASEAN

The percentage of respondents, 671 respondents (2023), 657 respondents (2021)



Source: HKTD survey

In the 2021 survey, enterprises in different industry sectors took differing views on the attractiveness of ASEAN. However, the findings of the present survey show that the feedback given is now similar across the different sectors. Huge market and ASEAN's investment policies are ranked as the top attraction, by all five selected industry sectors and the proportion of this aspect in the top three attractive factors is also the highest. With regard to difficulties and challenges, the obstacles faced by different sectors are more or less the same, with difficulties in navigating local government policies and regulations for foreign investment, and cultural or language barriers, being the two main attributes.

[4] Here, it does not refer to the top three challenges but the proportion of respondents naming a difficulty as "one of the top three challenges".

Top 3 challenges	Consumer goods	Industrial goods	Business, professional and financial services	Real estate, hospitality and construction	Technology, media and telecoms
Difficulties in navigating local government policies and regulations for foreign investment	61.8%	65.1%	47.2%	40.3%	33.6%
Cultural and/or language barriers	45.0%	18.3%	36.1%	47.2%	42.7%
Difficult to find talents with the required expertise	23.7%	32.1%	31.9%	34.0%	11.2%
Intransparent regulatory regimes	19.1%	30.3%	21.5%	21.5%	38.5%
Opaque market information	23.7%	21.1%	22.2%	16.7%	42.7%
Inadequate infrastructure	24.4%	30.3%	26.4%	25.0%	16.8%
Difficult to find suitable or capable local service providers	17.6%	29.4%	20.8%	24.3%	15.4%
Difficult to find the right local partners	22.9%	17.4%	24.3%	19.4%	16.1%
Market fragmentation in ASEAN	15.3%	10.1%	20.8%	13.9%	16.8%
Intense local competition	13.7%	12.8%	13.2%	18.1%	16.8%
Increasing cost of doing business	13.7%	22.9%	9.7%	13.2%	16.8%
Concerns about data security	7.6%	3.7%	12.5%	13.2%	17.5%
Insufficient capital for expansion	10.7%	6.4%	11.1%	11.8%	14.7%

Remarks: Figures in the blue boxes are challenges/difficulties named by most respondents in their respective industry sector, while figures in the orange boxes indicate the top three challenges/difficulties named by respondents in their respective industry sector.
Source: HKTDC survey

Hong Kong Blockchain Company's Venture into ASEAN

Interview

Interview with Anthony Leung, Co-founder and CTO of *NFT Investment and Venture*

ASEAN's encouraging economic growth, and the immense spending potential of its expanding middle class that comes with it, is attracting increasing investment from many foreign businesses. With Hong Kong being the greater China region's gateway to ASEAN, the city is also experiencing an upsurge of local start-ups venturing into ASEAN. One of them is *NFT Investment and Venture (NFTIV)*, a blockchain start-up focusing on the expansion of its ASEAN operation. In an interview with *HKTDC Research*, the start-up's co-founder and CTO Anthony Leung set out its expansion plan, discussed the challenges involved and looked at some of the takeaways of its ASEAN venture.



Gaining industry recognition in less than two years

NFTIV was founded in Hong Kong in September 2021 and subsequently joined *Hong Kong Cyberport's* Incubation Programme in February 2022. It provides client solutions through cutting-edge blockchain and metaverse technologies, offers technical support to traditional companies seeking digital transformation, and promotes progression and upgrade from Web2.0 to Web3.0.

Even though it has only been in business for less than two years, the company has already achieved quite a bit in the field of sci-tech innovation. Discussing *NFTIV's* progress so far, Leung said: "We are most proud of our performance in 2022 when our NaaS solution of blockchain service beat intense competition from hundreds of other businesses to win the Certificate of Merit in the Smart Living Award category of the Hong Kong ICT Awards. This is one of the highest sci-tech innovation honours presented by the HKSAR Government, and it signifies the government's approval of our technology and our product."

"As well as this, we have also set up a strategic partnership with the accelerator of the Cloud Service SPARK of *Huawei*, the mainland tech giant. This partnership will not only help to develop our blockchain market in Southeast Asian countries such as Indonesia, but will also enhance our influence in the industry."

Proactively launching GBA operations to build track record

While the company is developing steadily in the Hong Kong market, Leung regards the GBA as an important strategic region, and so his company is actively building up its operations there. In 2021, *NFTIV* collaborated with the Shenzhen institutes of the *Chinese University of Hong Kong* and *City University of Hong Kong* to set up a joint sci-tech innovation centre. Noting that this marks the company's official entry into the GBA market, Leung said: "These two Shenzhen institutes set up by Hong Kong's post-secondary institutions have created favourable conditions for the company's entry into the core district of the GBA. They have also provided opportunity, space and technical support to the company, helping it to optimise its commercial layout in the GBA."

NFTIV has also collaborated with the local governments of Chengdu and Chongqing to provide a blockchain solution which will enable Chengdu to implement blockchain electronic labelling for sales of cultural pieces and artwork.



Leung explained that these ventures will help future expansion, saying: “Capitalising on university resources and government support, we have completed our preliminary layout in the GBA market and have laid a good foundation for further development in the Southeast Asian market. Since the GBA is China’s pioneer when it comes to the application of blockchain technologies, the experience we gained here will help us work out more mature technological R&D and business models.”

Penetrating ASEAN market: Successful entry into Indonesia and Malaysia

Using its success in Hong Kong and the GBA as a base, *NFTIV* is now looking towards the ASEAN market. Underlining why the company regards ASEAN as the most important destination for its future development, Leung said: “With a total population of over 650 million, the 10 ASEAN countries have a massive market to offer. The governments of ASEAN countries generally support the development of technology and innovation, which in turn provides valuable opportunities for us to develop our corporate operations.

“ASEAN’s population size - coupled with its rapidly growing middle class - makes it one of the most vibrant regional economies in the world. According to the market research we conducted locally, Indonesia strongly welcomes the application of innovative technologies and its public is highly receptive to new technologies including digital payment. Its welcoming attitude towards sci-tech innovation is similar to that of the mainland market more than a decade ago when it was growing rapidly.”

In May 2022, *NFTIV* was part of the *HKTDC*’s delegation to the Indonesian capital Jakarta and came into contact with local businesses there. Through the *HKTDC*’s referral, *NFTIV* secured an intention of co-operation from a number of Indonesian blockchain enterprises, and action is being taken to implement these projects in the Indonesian market. The company’s senior executives have also approached the top management of Indonesia’s *Directorate General of Posts and Telecommunications* regarding active exchanges of blockchain technology.

NFTIV has also signed memorandum of understanding with some Malaysian blockchain enterprises with a view to tapping the Malaysian market through the provision of tech solutions. Noting the welcome his company has received in these two countries, Leung said: “The positive attitudes of the Indonesian and Malaysian governments and enterprises towards the application of blockchain technology have encouraged us to prioritise our development here.”

At present, the company’s venture into ASEAN is mainly being made through co-operation with local companies. Next, it will set up subsidiaries or joint ventures in Indonesia and Malaysia to conduct local operations, using the model of its Hong Kong commercial operation to attract more clients to try its blockchain technology solutions. At the same time, Leung and his team will continue to capitalise on the size of the ASEAN market and try to expand rapidly in Southeast Asia over the next few years.

Financing and recruitment challenges

While the progress made so far is generally encouraging, financing is still a major obstacle to growth. As a sci-tech innovation business, *NFTIV* needs to raise a lot of money for R&D and market expansion. However its fund-raising efforts have been thwarted repeatedly in recent years, by the *Covid-19* pandemic and the global economic downturn. Leung detailed the effect that has had, saying: “Since our formation in September 2021, the company has made a number of financing attempts but all to no avail. In our opinion, the general financing environment has become more strained and the market less active, thus dragging down the pace with which we could expanding the scale of our operations and develop the Southeast Asian market.”

The company’s development has also been undermined by the serious shortage of talent in the cutting-edge technologies of blockchain and metaverse. As an emerging technology, the global blockchain field is experiencing exceptional manpower shortages, and even the Hong Kong market that focuses on the financial sector is not immune from this problem. Underlining this point, Leung said: “We have tried our best in recruitment but no-one showed up. While blockchain and metaverse involve complicated cutting-edge technologies that require a massive input of manpower for high-standard R&D and operation, talent in this field is scarce. This seriously inhibits technological development and puts a restraint on the pace of expansion into overseas markets.”

Stepping up Hong Kong’s support to innovation and technology

To overcome these two major difficulties, Leung thinks that Hong Kong should start by stepping up its cultivation of talent cultivation and its support of innovation and technology. Laying out what he believes needs to be done, Leung said: “If Hong Kong is to become a regional sci-tech innovation centre, it has to go all out to train up talent, using its education system to strengthen the training of tech people while drawing in the elite from overseas in related fields. It is only by overcoming the talent shortage in the field of cutting-edge technology that innovation and entrepreneurial atmosphere can be created. Otherwise, Hong Kong will continue to lag behind in its transformation to a sci-tech innovation city.”

Leung called for more support for start-ups, saying: “Start-ups like *NFTIV* only get limited help from the Hong Kong Government in terms of financial assistance or application opportunities under policy trials. When it comes to the application of new technology under policy trials, the government seldom considers granting the opportunities to start-up SMEs. In contrast, we found more opportunities for technology trials through collaboration with universities and local governments after we entered the GBA.”

Leung hopes that the Hong Kong Government will increase its policy support to sci-tech innovation enterprises by providing more opportunities for new technology trials and government supplies sourcing to start-up SMEs. He thinks that this will help them achieve technological breakthroughs and commercialisation more rapidly. Leung also wants the government to act as a bridge between ASEAN governments and Hong Kong sci-tech innovation enterprises, co-ordinating exchanges and co-operation and removing any policy barriers preventing or hindering Hong Kong companies from entering the ASEAN market.

Batteries Pioneer Branches out from Southeast Asian Foothold to Wider ASEAN Market

Interview

Interview with Michael Lam, Managing Director and

The global economic and trading environment has been very challenging in recent years, first with the ongoing US-China trade conflict, followed by the Covid-19 pandemic and then finally the Russia-Ukraine war. For Hong Kong company *Gold Peak Technology Group*, the priority has been to tackle the additional costs caused by new tariffs imposed on products made in China as a result of the US-China trade conflict. Fortunately, the Group had prepared a “China plus one” strategy before the outbreak of the trade war and the escalation of tension in the geopolitical landscape. This has allowed it to adjust its supply chain layout rapidly to cater for the differing requirements of its clients.



Interview

Brian Wong, CFO, *Gold Peak Technology Group Limited*



Gold Peak Industries (Holdings) Limited, the predecessor of *Gold Peak Technology Group*, was founded in 1964. Similar to many Hong Kong businesses, it started off as a manufacturer engaged in OEM production. As its operations developed, it became a listed company in Hong Kong in 1984 and changed its name to *Gold Peak Technology Group Limited* in 2022. Today, the Group is not only engaged in developing its production of consumer batteries, electronics and acoustics, it is also devoted to the R&D of innovative technology for rechargeable batteries and B2B batteries. In addition, it has built a number of brands, such as GP batteries, GP Recyko batteries, KEF premium acoustic products and Celestion professional speakers, which are mostly renowned brand names in the industry. Their products are successfully sold to all parts of the world, and their production bases can be found all over mainland China and Southeast Asia.

Seizing ASEAN market's opportunities to add production plants by stages

In an interview with *HKTDC Research*, the group's Managing Director Michael Lam explained how its operations had developed, saying: “In the 1990s, we saw a surge in the production demands of various manufacturing industries by developed markets. In view of Hong Kong's limited manpower resources, our Group set up many production plants on the mainland to meet the demand for orders. As for Southeast Asia, as the market became increasingly vibrant, we have started to set up production plants locally, catering mainly for markets in Europe and the US.”

About four to five years ago, after the mainland's economy had taken off, production costs and wages there began to rise. With orders from the US continuing to increase even after the start of the US-China trade conflict, the Group decided to set up additional production plants in Johor Bahru, in Malaysia, on top of its existing production base in the city for 9V alkaline batteries.

As the US-China trade war intensified, the Group tried to tackle the impact of new tariffs by setting up plants in Vietnam's Hanoi and Ho Chi Minh City and moving some of its production lines there. Along with a joint venture set up in Hanoi some years ago, the Group is currently operating three battery plants in Vietnam. Lam explained that the choice of Southeast Asia can be mainly attributed to the Group's years of experience in these countries, which have equipped it with a good knowledge of how production plants there operate.

Over the past few years, the Group has actually moved its plants or set up new plants nine times. Its “China plus one” strategy is now gradually taking shape. At present, the Group has set up at least one overseas production base for each battery model to meet their orders. For example, their 9V alkaline battery is produced at three plants in Ningbo and Malaysia, while rechargeable batteries are manufactured in Dongguan or Malaysia, and its cylindrical alkaline batteries are made in either the Ningbo plant or the Vietnam plant.

Precise regional division of operations to mitigate risks from trade policies

While admitting that the Group’s new strategy will probably lead to production capacity overlaps and thus cause slightly lower efficiency in the short run, *Gold Peak’s* Chief Financial Officer Brian Wong said: “Although such a strategy is not cost-effective in terms of unit production cost, it helps to eliminate clients’ doubts over the security and flexibility of our supply chains. In particular, when it comes to the requirements of European and US clients, our ‘China plus one’ layout can, in the long run, provide our Group with reserves in production facilities and productivity.”

However, moving the production plants to Southeast Asia does not guarantee that the US or other western countries will automatically classify these plants’ products as Southeast Asian goods. Such a classification involves the defining of the place of origin covering complicated requirements regarding local contents and production process designs. According to Wong, since many raw materials used in the batteries currently produced by the Group come from mainland China, they have to calculate carefully the specific quantity to be used in the products. Before the goods can be accepted as being originally produced in Southeast Asia (and thus avoid the tariffs imposed by the US on products made in mainland China) the Group also has to demonstrate the presence of a supply chain where the raw materials have been permanently and substantially processed and altered in Southeast Asia.

Long-term development of Southeast Asian market

Although the *Gold Peak Group* has already set up regional hubs in Shenzhen, Singapore and Kuala Lumpur, Hong Kong remains its headquarters. Its Hong Kong base carries out the Group’s financial management, sales and marketing strategy as well as product R&D. It is also responsible for co-ordinating and assigning production jobs to its Southeast Asian plants. At present, the senior management of the Group, which debates and decides major policies and functions and sets the pace for its expansion into ASEAN, is all based in Hong Kong. Outlining the company’s position on Hong Kong, Lam said: “In terms of infrastructure, Hong Kong enjoys some incomparable advantages. However it also entails many challenges, such as the high rate of brain drain in recent years, particularly in the IT and financial fields. In response, we can only deploy our resources in Shenzhen and Kuala Lumpur to tackle the problem. The rise of operating costs including rents has also brought us a lot of challenges.”



Gold Peak Technology Group's Malaysian plant

The Group adopts a two-pronged approach to developing the Southeast Asian market. For markets where it has already established a commercial presence, such as Singapore, Malaysia and Vietnam, the model is one of direct operation with Hong Kong as the global operating and marketing headquarters responsible for managing the sales, retail outlets/inventory and marketing work of the local teams, as well as making contact with local consumers. In other markets such as Thailand and India, the Group goes for the model of a distributorship - developing its business through local distributors.



Lam explained that, in India for example, with its population of 1.3 billion people, SMEs are unlikely to be able to afford the massive resources required to access such a huge market. Outlining the Group's approach to such a market, Lam said: "For some enterprises engaged in export sales or OEM production, the first order may bring them substantial profits. But for a brand operator, the payback period will at least be five to 10 years. For some potential markets covered by *RCEP*, our Group will continue to devote more resources and make in-depth and meticulous efforts. But at the initial stage of development, our operation is expected to take the form of a distributorship or partnership in most cases."

As regards mainland China, the potential of its huge market cannot be underestimated even though its economy has recently encountered some downturn pressure. That is why the Group has set up a direct marketing team specifically tasked with the development of its mainland operation.

Standards convergence under *RCEP* urgently needed

When it comes to the opportunities offered by the *RCEP*, Lam said he believes there is a need for further observation and assessment of its implementation before the Group can be sure about its benefits, adding: "Apart from tariffs, some countries have introduced trade barriers in product standards and market access. Even if import tariffs are completely waived, the goods ultimately cannot access the market if they fail to obtain the required certification. That is why we need to understand how the *RCEP* terms can help our Group to navigate through the non-tariff trade barriers such as product standards so that our goods can enjoy smooth access to *RCEP* markets."

Commenting on the relationship between Hong Kong and the *RCEP* member states, Wong said: "HKSAR Government should release more economic and trade updates so that more Hong Kong companies can get a good grasp of the *RCEP*'s development and the opportunities it unfolds."

Latest *RCEP* market trends

The *Gold Peak Group* is also interested in the rise of *RCEP* e-commerce markets. The growing penetration of social media, coupled with the impact of Covid-19 in speeding up the development of e-commerce markets, has led to the emergence of numerous domestic and overseas e-commerce platforms. Because these platforms use differing operating systems and languages, the Group has set up two e-commerce teams, one in Guangzhou and one in Kuala Lumpur, to develop its e-commerce business both on the mainland and in Southeast Asia. Another team has also been set up in Malaysia for overseas digital marketing and e-commerce.

Outlining the Group's e-commerce strategy, Lam said: "As well as traditional websites, we also conduct marketing through various popular social media such as *Douyin*, *Xiaohongshu* and *Weixin* on the mainland as well as *Facebook* and *YouTube* overseas. Traditional marketing channels such as newspapers and outdoor advertisements are no longer sufficient to attract consumers' attention. We therefore have to deploy substantial resources for social marketing so as to get in touch with our target consumer groups through these social platforms and other new channels. Otherwise, we will not be able to keep abreast with trends and will lag behind our competitors."

Hong Kong's Green Professional Services Help Green Materials Firm Tackle ASEAN Challenges

Interview

Interview with Kevin Yang, Founder and CEO of Shenzhen eSUN Industrial Co Ltd

In recent years, China has been collaborating with ASEAN countries to implement the *Belt and Road Initiative*, fostering increasingly close ties with them. In light of this, *Shenzhen eSUN Industrial Co* began to target the immense opportunities presented by the vibrant Southeast Asian market. Under the leadership of its founder and CEO Kevin Yang, this biomaterial enterprise actively pursues independent innovation and brand-building while entering into strategic co-operation agreements with local enterprises. Capitalising on Hong Kong's professional services, it has made tremendous progress in the ASEAN market.



Independent R&D

eSUN was founded in 2002 with its headquarters in Shenzhen. It is a high-tech business engaged in the production and sale of new biodegradable materials, focusing on the R&D and use of biomaterials at the same time. Its products are made from raw materials that are mostly bio-based, and they are mainly used in implantable medical devices and 3D printing consumables (such as surgical materials and degradable scaffolds) as well as eco-friendly textiles made from ecological fibres.

To strengthen its competitive edge, eSUN is actively pursuing independent R&D, with close to 100 patented technologies under its ownership. Explaining why the company puts so much stress on R&D, Yang said: "We attach great importance to the input of technology and innovation, and we uphold our R&D efforts in core technologies. Building on multiple years of experience, we have become a leading global enterprise in 3D printing materials. We also pay special attention to brand-building and have already created a comprehensive marketing service system that integrates both our online and offline operations with an extensive coverage. Through the core competitiveness formed by our independent R&D and brand-building efforts, we are able to outshine our competitors in the industry with our superior price-performance ratio and achieve rapid growth."

Going global

Given the ever-changing global trading environment and rising labour costs in mainland China, eSUN is not only trying to expand its markets in Europe, the US and the mainland, but is also looking at Southeast Asia as a major new engine for driving its business growth. Enumerating the reasons for such a strategy, Yang said: "Firstly, such a move can help reduce the risks of trade barriers arising from any changes in US-China economic and trade relations. Secondly, we can make use of the rich human resources of Southeast Asia to lower our production cost effectively. Throughout this process of strategic adjustment, we will continue to play to our strengths in the R&D of technologies as well as our brand-building. We have also considered transferring our OEM production and manufacturing processes to Southeast Asia so as to enhance our flexibility in resource allocation."

Yang explained that, in order to get closer to the markets and its clients, eSUN has actively started to work on a global layout, saying: "After conducting research and making a comparative analysis for a long time, we decided to partner with a US company operating in Ho Chi Minh City. The US company had a strong background and its own production plant in Vietnam, and at its peak had about 3,000 staff. However, during the Covid-19 pandemic, its production lines were forced to suspend operation.



“Taking advantage of the situation, we seized this valuable opportunity and entered into a strategic co-operation agreement with the US business. It will produce our orders, while we provide the key raw materials and production equipment. As well as sourcing the related machinery and equipment for the plant, we have also designed 21 production lines that make use of the machinery and equipment, raw material formulae and production processes we developed ourselves. With an annual output volume up to 1,500 tonnes, the products turned out by these production lines are sold to a number of markets in the Asia-Pacific region.

“Such co-operation not only capitalises on the human resource advantages our US partner enjoys in Vietnam, it also reduces the risk of direct investment in the ASEAN region, helping us to take our development plan forward steadily. Partnering with a local company allows us to make progress in a gradual and orderly manner so that we can gain a good understanding of and adjust to the environment of the ASEAN market. Going forward, however, we will consider setting up our own production plant in ASEAN.”

eSUN has also set up subsidiaries in Singapore and the US to create marketing and warehousing channels. For the next stage, it plans to buy land and build its own production plant in Thailand in order to tap the ASEAN market further. At the same time, it will set up a production and sales network in a number of Southeast Asian countries in order to establish its global layout. Commenting on his company’s activity, Yang said: “We are already running a subsidiary in the US, and will soon set up another one in Europe. Basically, our operation is going global.”

Overcoming hurdles

While eSUN is positive about the immense potential of the ASEAN market, Yang noted that accessing it is not plain sailing, saying: “Because ASEAN countries are different from China in their systems and culture, we inevitably come across hurdles when setting up supply chains. We often need to seek the support of local governments and supervising authorities, get positive co-operation with local businesses, and tackle the problems arising from the siting of production plants, financing, compliance and the related legal procedures. In this process, we have found that enhancing our own international operating capability is the most important factor.”

Looking ahead, Yang believes that eSUN must use Hong Kong to optimise its international operating capability, saying: “As a professional service platform, Hong Kong is very internationalised in financing, legal service and talent. The professional services provided by Hong Kong are a major boost in overcoming the difficulties posed by the ASEAN market. We would like to collaborate with Hong Kong’s professional organisations in order to enhance our international operating capability and in turn help our Group to expand its investment and operation in the ASEAN market.

“The extensive integration in culture and geography between Hong Kong and mainland China will provide us with a bridge to connect with the ASEAN market. Besides, Hong Kong has a large pool of marketing and operating talent with international vision and experience which can help us manage and develop our business in the Southeast Asia region. Furthermore, Hong Kong’s professional financial services can also help our company tackle its financing needs.”



eSUN has made full use of Hong Kong's position as an international financial centre and has used its port financial services to settle operating transactions. eSUN has set up a wholly-owned subsidiary in Hong Kong to act as an operating platform for the inflow and outflow of funds, mainly catering for the account settlements of its operation in Vietnam. As part of its plan to tap the ASEAN market further, eSUN also intends to raise funds shortly through financial institutions in Hong Kong in order to buy land and build a plant in Thailand, which will provide support for a sales network in ASEAN countries.

Although eSUN tends to settle disputes through the mainland's arbitration body, it prefers to use Hong Kong's arbitration body to help resolve disputes arising from its ASEAN operation. This is because of Hong Kong's reputation and capability in international arbitration. eSUN also makes use of Hong Kong's expertise in accounting and auditing to handle its increasingly busy operation in ASEAN. In view of Hong Kong's international status and the changes in the US-China relations, the company regards Hong Kong as a bridge between China and the Asia-Pacific region.

eSUN believes that in future Hong Kong will not only be able to act as a horizontal link between Europe/US and China, but will also play a vertical connection role between China and Southeast Asia, helping eSUN to develop the Southeast Asian market. While operations in Hong Kong may incur additional cost, the enhanced service quality will still make it worthwhile.

eSUN's view is that Hong Kong - as an international service hub - can use this major strategic role to access the ASEAN market, since operating in Hong Kong can make it easier for a company to tap into Southeast Asia. eSUN is also considering setting up a regional operating centre in Hong Kong as a gateway to the RCEP and ASEAN markets. Furthermore, eSUN is in urgent need of an international service platform for all-round legal, financial and talent support in order to meet its global strategic goals. Noting Hong Kong's many useful qualities, Yang said: "Creating a physical foothold in Hong Kong is an attractive option, particularly when we can in this way access Hong Kong's rich university resources and R&D talent to support the development of our operation."

However, Yang also pointed to the city's current drawbacks, saying: "Under the impact of Covid-19 as well as the complicated and volatile geopolitical conditions, Hong Kong's business environment as an international financial, shipping and trading centre has been undermined to a certain extent. The preventive and control measures implemented during the pandemic have limited exchanges among people, dealing blows of varying degrees to commercial activities. Like other developed economies, Hong Kong also suffers from the problem of manpower shortages."

To address these problems, Yang suggested that Hong Kong use its institutional advantages as a free port to ensure the free mobility and circulation of various key production elements including manpower, goods, funds and data. He added that Hong Kong should also attempt to step up its co-operation and interaction with mainland China, bringing its unique advantages in professional services into play to provide better support for businesses from Hong Kong and the mainland in their efforts to expand into ASEAN and go global.

Post-Covid Opportunities

Regional economic integration and digitalisation trends

Since its official implementation in January 2022, the *RCEP* agreement has eased market access and improved tax incentives for enterprises in the region, creating huge investment opportunities. Survey respondents considered regional economic integration (such as *RCEP*) as the most beneficial global business trend when asked to name their top three^[5] (53.7%), followed by digitalisation (51.9%) and cost management such as relocating production to lower-cost regions (40.8%). The pandemic has dealt an unprecedented blow to economies worldwide, but digitalisation can help preserve the resilience of supply chains, while enhancing productivity and reducing operating costs. This largely explains why the highest percentage of respondents (23.2%) considered digitalisation as the most beneficial trend for their business and investment in ASEAN.



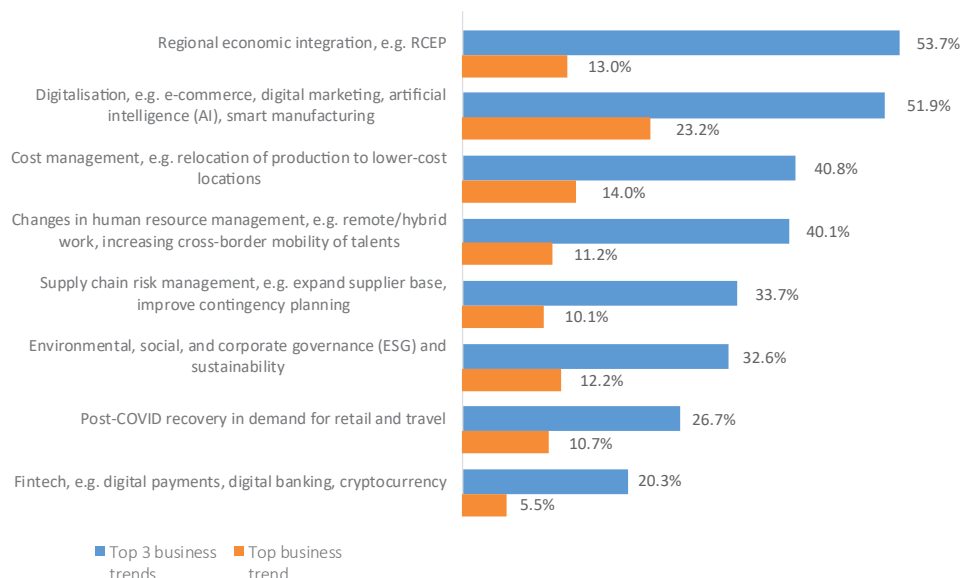
[5] Here, it refers not to three factors but the percentage of a single option considered as one of the "top three important trends" by respondents.

Regional economic integration and digitalisation trends

Regional economic integration and digitalisation are key trends

Emerging global business trends expected to benefit trade and investment most in ASEAN in the next 2 years

The percentage of respondents, 671 respondents

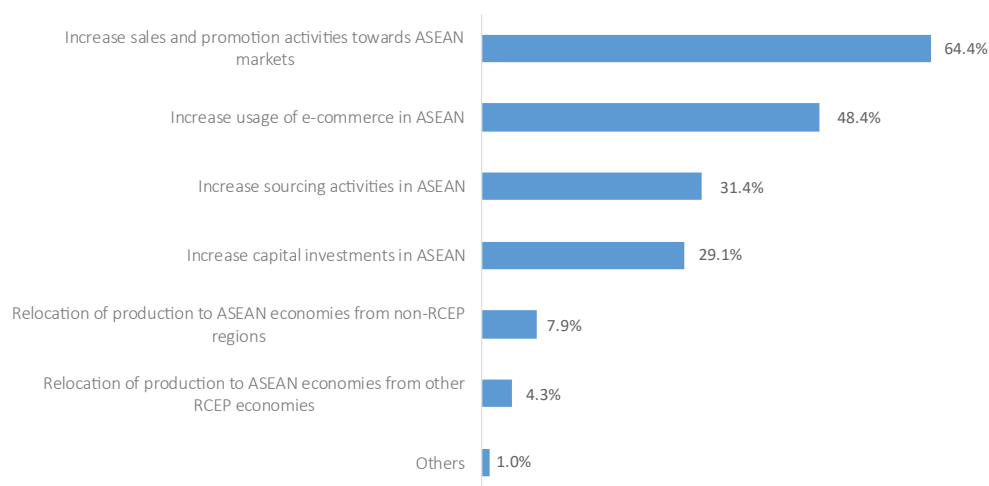


Source: HKTD survey

RCEP was a development favoured by many of the enterprises surveyed. Indeed, the survey results show that most enterprises expect *RCEP* to have multiple positive effects on their ASEAN business strategies over the next two years. Specifically, the most anticipated benefit is an increase in ASEAN-focused sales and promotion activity (64.4%), followed by increases in e-commerce activities (48.4%), sourcing activities (31.4%) and capital investments (29.1%). For enterprises with business activities in Vietnam, which are more likely to engage in local production or sourcing, the proportion of these enterprises choosing to increase sourcing activities (40.2%) is higher compared to the overall average (31.4%). It is also noteworthy that some enterprises intend to relocate their production operations from non-*RCEP* areas (7.9%) or other *RCEP* areas (4.3%) to ASEAN.

Impact of RCEP on business strategy for ASEAN in the next 2 years

The percentage of respondents, 671 respondents



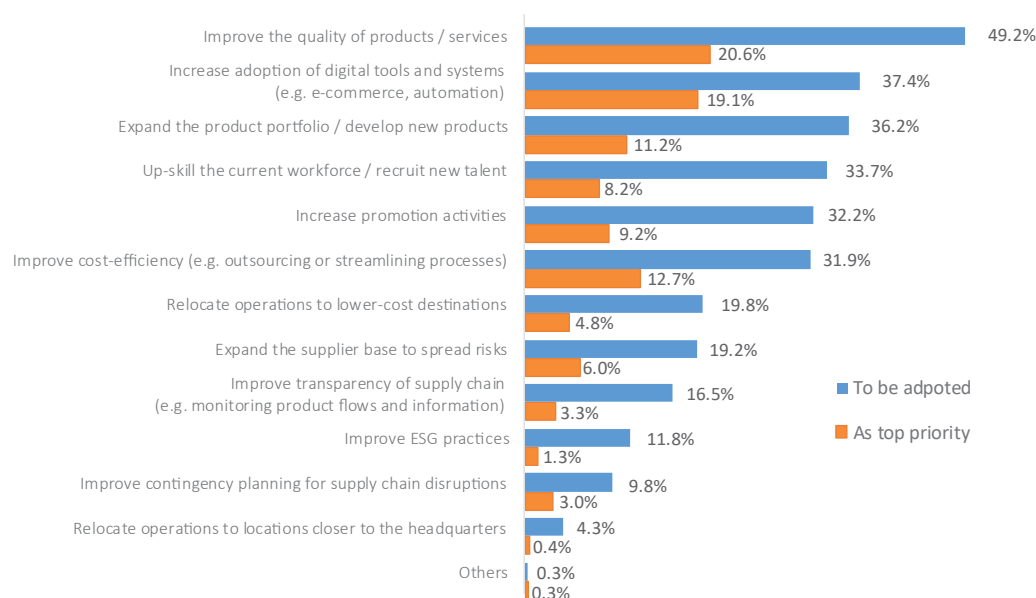
Improving product/service quality and accelerating digitalisation to enter ASEAN

As business activities resume, 49.2% of the respondents in the GBA plan to improve the quality of their products or services to expand into the ASEAN market in the next two years, with 20.6% indicating that it is their top strategy. Furthermore, 37.4% of the respondents plan to adopt more digital tools and systems, and 19.1% of these rank it as their top strategy. In-depth interviews revealed that many respondents have already placed digitalisation on their ASEAN business agenda and are actively developing appropriate digital solutions. Moreover, 36.2% of the respondents plan to expand their product portfolio or develop new products as a strategy for the ASEAN market.

Hong Kong businesses tend to focus more on improving cost-efficiency through outsourcing or streamlining processes, with 40.1% of the Hong Kong respondents indicating that they will adopt this strategy to expand into the ASEAN market, 18.5% of which consider it as their top strategy. Additionally, 54.2% of mainland enterprises in the GBA said they would focus on improving the quality of products and services, and 25% of them accord this strategy top priority.

Post COVID-19 strategy for business expansions in ASEAN in the next 2 years

The percentage of respondents, 671 respondents



Source: HKTDC survey

Although the ranking of emerging trends in the ASEAN market varies across different industries, their expansion strategies are quite similar.



The consumer goods industry involves a significant amount of cross-border trade in goods, including importing semi-manufactures and exporting consumer products. Therefore, the consumer goods industry is particularly sensitive to preferential tariff policies resulting from economic co-operation agreements between countries. Among the respondents, 62.6% explicitly identified regional economic integration trends such as *RCEP* as one of the three beneficial factors for business development in ASEAN in the next two years. In terms of business development strategies, improving the quality of products and services (55.7%) and increasing adoption of digital tools and systems (49.6%) were regarded as core strategies for expanding business in ASEAN.



The industrial goods industry is often cost-intensive, requiring significant inputs into the production process. Compared to other industries, the industrial goods industry focuses more on digitalisation trends that may reduce the use of human resources. Among the respondents, 67.9% consider digitalisation as one of the three major trends benefiting business development in ASEAN. Cost management and supply chain risk management are also seen as key beneficial trends. In terms of business development, 56% and 51.4% of the respondents respectively expressed their intention to improve cost-efficiency and increase adoption of digital tools and systems, in line with their perspective on beneficial trends.



The business, professional, and financial services industries also place a great emphasis on the emerging trends in digitalisation, and how digital technologies can provide a better customer experience. For example, online banking and mobile payments have made financial services more convenient and efficient, while also enabling personalised products and services to be offered based on customer preferences. Digitalisation thus plays a significant role in the business, professional, and financial services industries. According to the survey results, 54.2% of the respondents considered digitalisation a beneficial trend. In terms of business development, taking forward digitalisation is also a key focus, with 50% of the respondents saying that they will improve the quality of products and services, while another 41% mentioned the intention to adopt more digital tools and systems.



The real estate, hospitality, and construction industries are all concerned about regional economic integration trends such as *RCEP*, which involve promoting cultural and tourism exchanges and increasing potential investment opportunities. 61.1% of the respondents believe that regional integration will be highly beneficial to their business in ASEAN in the next two years. In terms of selecting expansion strategies, improving the quality of products and services (52.8%), expanding the product portfolio or developing new products (47.9%), and up-skilling the current workforce or recruiting new talent (46.5%) will be the key priorities in the next two years.



Changes in human resource management models can assist the **technology, media, and telecoms industries** in better identifying, attracting and retaining experts to meet evolving technological demands. Therefore, these industries attach more importance to trends such as the emerging remote/hybrid work model and increasing cross-border mobility of talents (57.3%), believing that these trends will have a positive impact on their business expansion in ASEAN in the next two years. Meanwhile, improving the quality of products and services is the most chosen development strategy among the respondents (62.2%), followed by expanding the product portfolio or developing new products (40.6%), which are similar to the findings in other industries.

Top three beneficial trends in percentage	Consumer goods	Industrial goods	Business, professional and financial services	Real estate, hospitality and construction	Technology, media and telecoms
Regional economic integration	62.6%	49.5%	49.3%	61.1%	45.5%
Digitalisation, e.g. e-commerce, digital marketing, AI, smart manufacturing	53.4%	67.9%	54.2%	47.2%	40.6%
Post-Covid recovery in demand for retail and travel	39.7%	13.8%	32.6%	25.0%	20.3%
Cost management, e.g. relocation of production to lower-cost locations	36.6%	53.2%	35.4%	36.8%	44.8%
ESG and sustainability	33.6%	13.8%	37.5%	34.0%	39.9%
Changes in human resource management, e.g. remote/hybrid work, increasing cross-border mobility of talents	26.7%	37.6%	41.7%	35.4%	57.3%
Supply chain risk management, e.g. expand supplier base, improve contingency planning	26.0%	53.2%	33.3%	31.9%	28.0%
Fintech, e.g. digital payments, digital banking, cryptocurrency	20.6%	11.0%	16.0%	28.5%	23.1%

Remarks: The blue boxes denote the most chosen option by respondents in that industry, while the orange boxes denote the top three options chosen by respondents in that industry.

Source: HKTDC Survey

Development strategies in the next two years in percentage	Consumer goods	Industrial goods	Business, professional and financial services	Real estate, hospitality and construction	Technology, media and telecoms
Improve the quality of products/services	55.7%	18.3%	50.0%	52.8%	62.2%
Improve cost-efficiency (e.g. outsourcing or streamlining processes)	31.3%	56.0%	27.1%	25.7%	25.2%
Increase promotion activities	42.0%	23.9%	27.8%	27.8%	38.5%
Expand the product portfolio/develop new products	39.7%	15.6%	32.6%	47.9%	40.6%
Up-skill the current workforce/recruit new talent	34.4%	5.5%	36.1%	46.5%	39.2%
Increase adoption of digital tools and systems (e.g. e-commerce, automation)	49.6%	51.4%	41.0%	27.1%	22.4%
Expand the supplier base to spread risks	13.7%	29.4%	16.0%	20.8%	18.2%
Relocate operations to lower-cost destinations	13.0%	16.5%	20.1%	19.4%	28.7%
Relocate operations to locations closer to the headquarters	4.6%	0.9%	6.3%	2.1%	7.0%
Improve transparency of supply chain (e.g. monitoring product flows and information)	20.6%	21.1%	16.7%	14.6%	11.2%
Improve contingency planning for supply chain disruptions	9.9%	6.4%	9.0%	11.8%	11.2%
Improve ESG practices	13.0%	0.9%	15.3%	13.9%	13.3%

Remarks: The blue boxes denote the most chosen option by respondents in that industry, while the orange boxes denote the top three options chosen by respondents in that industry.
Source: HKTDC Survey

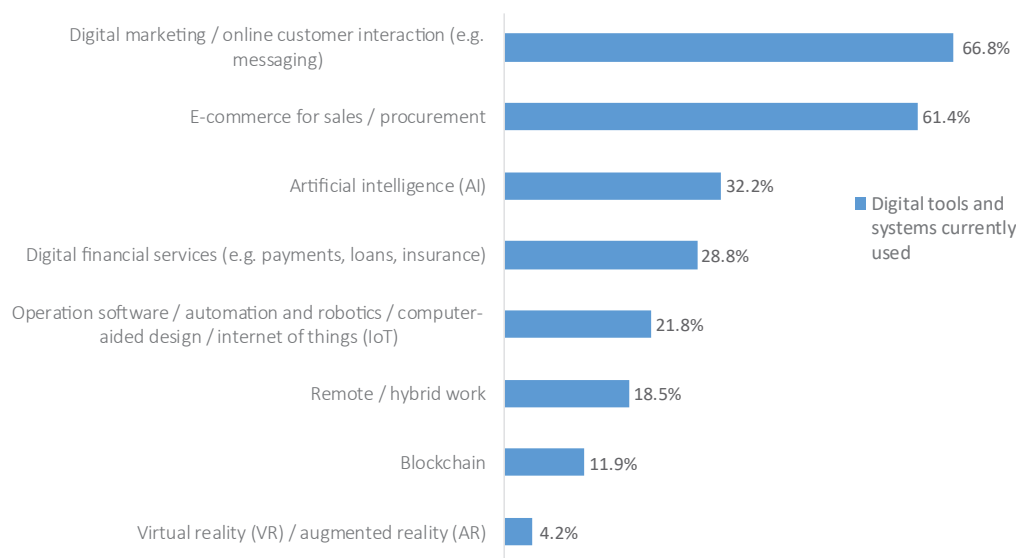
Utilisation of digital tools in the digital era

The Covid-19 pandemic accelerated digital transformation globally, making digitalisation a key development for enterprises in the post-pandemic era. To gain competitive advantage, GBA enterprises are exploring the use of digital tools to cope with challenges and create opportunities. In this survey, enterprises engaged in trade or investment activities in the ASEAN market were asked to list the digital tools they are currently using there. Digital marketing is the most widely adopted tool (66.8%), followed by e-commerce for sales/procurement (61.4%). E-commerce is an important development trend in trade today, and the survey reveals that over 20% of the respondents using the relevant tools indicated that e-commerce provides more than half their revenue. Additionally, 32.2% of the respondents said that they are currently using artificial intelligence (AI) tools in the ASEAN market.

Across industries, the respondents primarily use digital tools such as digital marketing and e-commerce tools related to sales and procurement. Compared to other industries, the technology, media, and telecoms industries are particularly keen on using AI to facilitate trade and investment activities in ASEAN (51.0%). The industrial goods industry, on the other hand, has yet to fully explore the wider application of AI, with only one respondent indicating its adoption.

Digital tools and systems currently used in relation to trade or investment in ASEAN

The percentage of respondents, 671 respondents

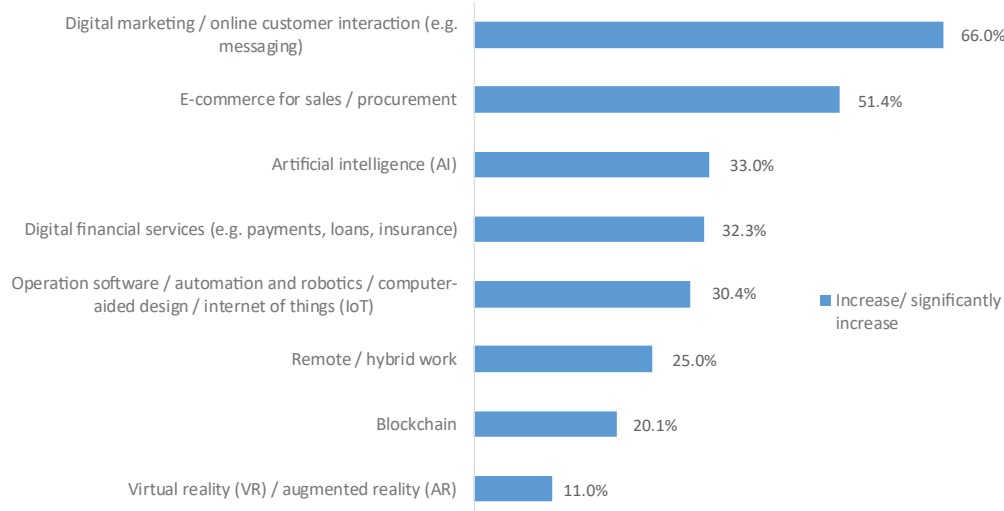


Source: HKTDC survey

For expanding their business in ASEAN in the next two years, respondents expect a marked change in the adoption of digital tools and systems. The survey findings reveal that more than half of the respondents plan to increase their use of digital tools (66% for digital marketing and 51.4% for e-commerce-related digital tools). Among respondents who have yet to adopt these digital tools, 56.9% and 56.4% respectively expressed their intention to use these two tools more in the next two years. Furthermore, 33% of the respondents said that they plan to apply AI tools more extensively. Across different industries, there is a clear trend towards increased use of digital marketing and e-commerce tools.

Expected change in adoption of the digital tools and systems in the next 2 years for business expansion in ASEAN

The percentage of respondents, 671 respondents



Source: HKTDC survey

Increased adoption of digital tools in the next two years in percentage	Consumer goods	Industrial goods	Business, professional and financial services	Real estate, hospitality and construction	Technology, media and telecoms
E-commerce for sales/procurement	71.2%	58.1%	39.0%	40.6%	51.4%
Digital marketing/online customer interaction	62.9%	66.0%	68.3%	67.8%	64.3%
Digital financial services (e.g. payments, loans, insurance)	35.7%	21.2%	34.1%	32.1%	36.0%
Operation software/ automation and robotics/computer-aided design/ internet-of-things (IoT)	37.4%	36.8%	29.4%	25.9%	24.6%
Artificial intelligence (AI)	31.4%	12.3%	35.1%	35.0%	46.7%
Virtual Reality (VR)/augmented reality (AR)	10.9%	5.8%	9.3%	13.5%	14.4%
Blockchain	21.8%	31.5%	18.6%	14.3%	16.5%
Remote/hybrid work	21.3%	21.5%	21.3%	27.7%	32.1%

Remarks: The blue boxes denote the most chosen option by respondents in that industry, while the orange boxes denote the top three options chosen by respondents in that industry.

Source: HKTDC Survey

Hong Kong's Smart Kitchen Solution Helps Bolster ASEAN Catering Industries

Interview

Interview with Shirley Chen, Founder of *Shenzhen BOTINKIT Co Ltd*

With its rapidly developing economy and a growing middle class, ASEAN has seen ever-increasing demand for quality services. *Botinkit*, a high-tech start-up that leverages independent R&D, advanced sensor technologies and artificial intelligence (AI) to create smart digital kitchen solutions, is proactively positioning itself within the ASEAN market to help its catering industries digitise cooking and improve service quality. According to Shirley Chen, Founder of *Botinkit*, while Hong Kong confers advantages in the development of AI and applied technologies, start-ups may also leverage its highly international business environment as a springboard to global markets.



Hong Kong's competitive edge

In *Botinkit's* analysis, Hong Kong's strategic proximity to ASEAN countries and its role as a trade hub can help lower trade barriers and tax burden for the company while fostering product import and export. Thanks to the city's world-class tertiary institutions, a large number of top-notch R&D and business talents can help inject energy and academic rigour to the company. *Botinkit* is also bullish on Hong Kong's impactful tech and AI expos that serve as an excellent platform for product showcase and promotion.

Hong Kong's cultural diversity helps *Botinkit* grasp the needs of different markets. In addition, as a food paradise, Hong Kong also helps the company's catering business harness strong creativity and high-standard production capabilities. Hong Kong's experience is highly transferrable in helping *Botinkit* launch its products in many Asian markets.

Botinkit welcomes the Hong Kong government's support in the form of the Science Park and various subsidies, as well as providing easy market access to help the start-up expand its business. *Botinkit* plans to work with the Hong Kong government to explore the feasibility of more policy incentives.

All in all, *Botinkit* is impressed with Hong Kong's clear advantages in location, talent pool, platforms, culture and policies, making it an ideal partner to tap into ASEAN markets. The company looks forward to strengthening collaboration with the city to access a greater market.

AI cooking

Botinkit was founded by Chen, an MBA graduate from the *Hong Kong University of Science and Technology (HKUST)*, in Shenzhen in 2021. Having spent many years in Hong Kong, Chen is familiar with the city's food culture and catering market. As a *HKUST* graduate, Chen has a good understanding of Hong Kong's enormous potential in AI and robotics development. She said: "After my team and I founded *Botinkit*, we received funding and support from Professors Zexiang Li, Ko Ping-keung and Jie Gan of *HKUST* to develop smart solutions for the catering industry. *HKUST* provides strong support to AI, robotics and biotech development and fosters an innovative and entrepreneurial ecosystem by attracting a multitude of top-notch academic and research talents. This helped give rise to *Botinkit*."

“With its strong foundation in AI technology, Hong Kong provides local start-ups with innovative and entrepreneurial prerequisites to help empower them with AI and devise solutions that are disruptive to traditional industries. This helps boost Hong Kong’s status as an international AI hub.”

Botinkit’s digital kitchen system, its main product, encompasses the two parts: a robot execution module hardware and smart control system software. On the hardware side, *Botinkit* has successfully built various execution modules using robotics, advanced sensor and control technologies, and is on the cusp of delivering such cooking functions as frying, stir-frying, cooking, stewing and deep-frying. As these modules use standardised connection interfaces, they can be flexibly recombined according to the customer’s needs. With the software, the core AI algorithms developed by *Botinkit* apply generative AI computing to create dishes and culinary processes. The system can automatically generate new recipes according to the user’s needs and parameters, as well as monitoring and optimising every culinary detail and step to achieve fine control of parameters, like temperature and time.

Chen explained, saying: “Our digital kitchen system can cook using different robotic modules, as well as making individualised dishes by harnessing AI technology to achieve fine control and adjustment of flavour and nutrition. Our system is well suited to the centralised kitchen of large catering chains and takeaway platforms. Companies can make standardised dishes to ensure that every restaurant is consistent in terms of flavour and quality. Meanwhile, clients may make individual adjustment to the same dish according to their taste to achieve “custom bulk orders”.

“The system has been approved by the regulatory agencies of many countries and regions, including the United States and the European Union, and is ready to provide catering chains in the ASEAN region with standardised and digitised kitchen solutions. We are exploring co-operation with various large catering enterprises in Southeast Asia to boost the culinary efficiency and food quality of the local food industry.”

ASEAN’s growing consumer base

ASEAN is an attractive and vast blue ocean market to *Botinkit*. Chen said: “There is a growing middle class as the ASEAN economies develop rapidly. Consumer purchasing power grows by leaps and bounds, and the younger generation are pursuing trendy, quality living. Compared with advanced economies, there is more room for growth in ASEAN consumer demand for culinary technology and food quality.

“Meanwhile, development of the ASEAN catering industry is transitioning from single restaurants to restaurant chains, with many local catering enterprises fast expanding into regional or even global restaurant chain brands, which gives rise to more stringent requirements on consistency and quality control of dishes. The *Botinkit* digital kitchen system can help ASEAN catering businesses satisfy consumer demand for quality gourmet experience through standardisation. We are thus eyeing ASEAN as our key strategic market and are developing our clientele among renowned catering brands in ASEAN.”

Botinkit has already positioned itself in ASEAN to tap into the Malaysian and Filipino markets. As Chen revealed, saying: “We have secured several digital market projects in Malaysia, chiefly with large, local catering chains, which in turn provides us with a large volume of user feedback. We also participated in a food expo in the Philippines to liaise with large, local catering businesses and explore opportunities for co-operation. In the coming one to two years, our focus will be on serving our catering chain clients in the Malaysian and Filipino markets and build up cases of success.”

Going forward, the company will continue to grow its ASEAN presence, with plans to start expanding into Thailand in 2024. As Chen explained: “As an important travel destination in Southeast Asia, Thailand boasts a large number of hospitality and catering businesses, with keen demand for our digital kitchen system. Next, we will work on tapping into neighbouring countries like Indonesia and Vietnam. Singapore will also be our next key target market, owing to its role as a Southeast Asian financial hub with plenty of high-end catering enterprises.”

Leveraging Hong Kong's unique advantages to go global

Using Hong Kong as its springboard to the ASEAN market, *Botinkit* has set up an office in the *Hong Kong Science Park (HKSP)* to serve as a mid-way platform bridging the GBA and ASEAN markets. *HKSP* provides the company with office support and designated quality migrant admission services to help attract more top-notch, internationally minded R&D and management talents. Moreover, Hong Kong opens the door to premiere local and Asian food and catering expos, as well as providing opportunities for promotional activities and funding support. All these are conducive to expanding into the ASEAN market.

Botinkit lauded Hong Kong's tech and AI expos for their enormous scope and impact. This has helped the company expand its businesses as it has met most of its potential clients and dealers in Hong Kong expos. In addition, *HKSP* has provided the company with important support, such as funding for human resources and expos to help it promote itself to the ASEAN market. By setting up a team in Hong Kong and making use of the city's professionals to provide manpower support on business development and R&D, *Botinkit* has successfully leveraged Hong Kong's strategic position to bridge the GBA and ASEAN markets. Meanwhile, Hong Kong's large-scale expos have provided great opportunities for product promotion and cultivating business networks.

The city's cultural diversity has also helped *Botinkit* grasp the demand of various markets. After successfully entering multiple Asian markets, the company can replicate the market success it has acquired through Hong Kong for further expansion. Foreign investment channelled into the company via the financial hub has also provided the funding necessary for expansion. Hong Kong is the bridge that connects the GBA and ASEAN markets. *Botinkit's* peers may want to borrow its playbook of leveraging Hong Kong's unique advantages to achieve successful expansion.

To Chen, Hong Kong possesses unique advantages to support GBA businesses tap into ASEAN markets vis-à-vis other international cities in Southeast Asia. She explained, saying: “Hong Kong can play the role of a connector between the mainland and ASEAN markets and help mainland businesses establish themselves in ASEAN. In addition, Hong Kong has a long established logistics network with the ASEAN bloc to facilitate the flow of goods, which has helped us deliver our products and services to our clients. What's more, as a multi-cultural and inclusive 'global city', Hong Kong boasts a highly international and free business environment, a supportive policy environment for tech companies, and a vast talent pool, which are essential to the rapidly growing *Botinkit*.

“Going forward, we would like to see Hong Kong roll out more supportive policies in the financial and capital arenas, as well as organising more commercial exchange activities that feature ASEAN countries. This will help more enterprises like *Botinkit* leverage the close ties between Hong Kong and ASEAN and seize the opportunities there.”



As pandemic restrictions began to ease in early 2023 in Hong Kong and on the mainland, border measures were also lifted in an orderly manner to facilitate the gradual normalisation of business activities. Chen said: “It has become easier to go on business trips to expand our business. Meanwhile, with the recovery of the catering industry, order volume from overseas and Hong Kong clients has steadily rebounded. We can thus see the normalisation of Hong Kong’s business environment has gathered pace. This will help *Botinkit* as a GBA-based business continue to use Hong Kong as a platform for ASEAN expansion in the years to come. Such developments are providing us with a supportive external environment.”

A bigger role for Hong Kong

Although Hong Kong provides a conducive environment for innovation and technology (I&T) enterprises, Chen believes the city still has room to further improve its attractiveness: “Hong Kong can step up its supportive measures for I&T enterprises in the financial and capital arenas. For example, it can set up a technology innovation fund or work with ASEAN countries to offer an innovation and entrepreneurship investment fund to provide greater and more direct financial support to I&T enterprises through equity investment, angel funds, or start-up accelerators.”

Chen also hopes the relevant authorities in Hong Kong can organise more closed-door business exchange activities or summit forums with a strong ASEAN presence, through which entrepreneurs, investors and government officials from the GBA and ASEAN can exchange ideas and build relationships.

According to Chen, such financial and resource support can substantially lower the entry barrier for I&T enterprises eyeing the ASEAN markets, so that more start-ups can be empowered to expand into ASEAN and sustain their development. Ultimately, that will further cement Hong Kong’s vital and strategic role in helping GBA enterprises “go out”.

GBA-Based Product Design and Development Specialist Taps ASEAN Market

Interview

Interview with Yuqi Wang, Founder of Shenzhen Quicklyin Technology Co Ltd

Shenzhen Quicklyin Technology Co, a small-and-medium sized enterprise (SME) based in the GBA, was founded in 2021. Its core business includes providing enterprises with value-adding services such as product definition, product planning and prototype design, as well as developing its own brands and products. *Quicklyin* is considering entering the ASEAN market via e-commerce platforms before establishing a physical presence in the respective markets, with the long-term goal of offering its product design and development services to businesses in the ASEAN bloc. The company hopes the Hong Kong government will implement more supportive policies to help businesses expand into the ASEAN market.



Piloting value-adding product design in Hong Kong

Yuqi Wang, Founder of the Shenzhen-headquartered company, was inspired by her partners' wealth of experience in such areas as supply chain and e-commerce. Noting demand for product development services from various brands, as well as generally higher acceptance of fees-based consultancy services among Hong Kong clients, a pilot company was established in Hong Kong in 2020 to focus on a clientele in the Hong Kong and overseas markets. Given increasing experience accumulated in Shenzhen and the intention to better serve GBA clients, *Quicklyin* subsequently established one office after another in various mainland GBA cities to build up a synergy of "Hong Kong + mainland enterprises". With a core trio formed by its Shenzhen HQ, Hong Kong and Guangzhou offices, the company can appropriately expand its services to the GBA market at large. With the Hong Kong office currently focused on providing product development, design, strategy and sales services to local and overseas clients, *Quicklyin* has built a solid foundation and client network for further expansion into the ASEAN market.

The company's business model is based on the provision of all-rounded, fees-based consultancy services, including product development targeted at brands, distributors and manufacturers mainly from mainland China, Hong Kong, Europe, the US and Japan. Wang explained, saying: "We hope to deliver clients with cost-beating additional values by providing them with quality design and product planning services. Over the years, the manufacturing industry in China has relied too much on the competitive advantages of low costs and rapid response, resulting in the inability to pursue rapid development from bottom-up product innovation at one point. We are therefore committed to conferring greater cost-effectiveness to products with innovative design to meet the ever-changing demand from companies.

"Take the solar fan product we designed for a Japanese client as an example. The product adopts a separate folding design, and the solar panels can be used individually, which gives the fan practicality while not sacrificing aesthetic appeal. The overall quality and function are superior to similar products. Going forward, we believe we can deliver product design solutions that are high-quality, distinctive and highly practical to our clients. This is the key to standing out in the ASEAN market."

Exploring ASEAN market via e-commerce

Quicklyin has begun work on developing its e-commerce business by focusing on its own branded products. In the next three years, the company will strive to deepen product R&D, strengthen its foundation, build up its sales channels, and tap the ASEAN and overseas markets. To Wang, the potential of more sophisticated markets, such as Singapore and Malaysia, look the most promising. She said: “Given the rapid rise of e-commerce among ASEAN countries, we will use that as a key to unlock its market. We will test the waters in ASEAN by offering our branded products in online marketplaces like *Amazon* and *Lazada*. Our long-term plan is to establish subsidiaries in target markets, recruit local employees to take charge of market operations, logistics and distribution, and provide all-rounded product planning and design services to local clients.

“With its superior foreign trade environment versus ASEAN and the mainland and the absence of foreign exchange control, Hong Kong provides the ideal platform for overseas business expansion. We therefore continue to rely on the financial and legal support we get from Hong Kong and entrust our Hong Kong partners with legal issues, investment and financial services when expanding into various ASEAN markets. This couples well with using mainland GBA cities as our product R&D bases to expand our service scope to the entire ASEAN market.”

According to Wang, consumer spending has been strong thanks to the rapid expansion of ASEAN economies, while the burgeoning e-commerce platforms have changed consumer habits and preferences. Also, along with industrial upgrade, the manufacturing industry will inevitably pursue digital transformation in the future. Demand for professional services like product design and marketing is expected to keep growing, providing *Quicklyin* with endless opportunities as it expands into ASEAN. Wang said: “The ASEAN market has a good outlook. Its pace of development aligns with our vision and progression. In recent years, many ASEAN countries such as Laos and Vietnam have experienced rapid economic and consumption growth driven by industrial transformation. Coupled with Singapore, one of the ‘Four Asian Tigers’, and the enormous market in populous Indonesia, we see unlimited potential in the ASEAN market and therefore double down on exploring opportunities in this fast-growing region.”

Leveraging Hong Kong-mainland complementary strengths

The convention and exhibition sector is essential to Hong Kong's role as an international business and trade hub. It not only helps promote overall economic development and boosts trade, but it also serves as a springboard for many Hong Kong brands intent on going global. Wang said: “Every year, we take part in various international exhibitions held in Hong Kong, including electronics and pet supplies shows, with the aim of taking our business to the world stage and exploring global opportunities. We also help interested clients promote their products in exhibitions while providing and demonstrating our services and capabilities in product development. More importantly, with our experience in applying for intellectual property rights for our branded products in Hong Kong, we know well how the process works and can put ourselves in clients' shoes to address their concerns. Where necessary, we can recommend reliable intellectual property agents to our clients to assist with such issues.”



Wang believes Hong Kong's sound legal infrastructure and financial system provide a business-friendly environment and a level playing field. The service industry, ever looking for ways to improve, has a high degree of professionalism, business and professional ethics, and attaches great importance to the protection of rights and interests. Currently, *Quicklyin* collaborates with various types of Hong Kong businesses in the financial, legal, intellectual property and arbitration sectors. Wang sees advantages in Hong Kong's flexible and lightly regulated financing environment in helping the company grow. Meanwhile, as the window to the world and a transport hub, Hong Kong offers a visa-free policy which facilitates frequent business exchanges. However, taking Hong Kong banks as an example, Wang sees room for improvement in the city's overall information infrastructure, which has dragged down efficiency. It often takes a long time for mainland businesses to set up a bank account in Hong Kong. She also recalls experiencing low efficiency when collaborating with different organisations in Hong Kong and handling business matters.

Wang also noted that even as tax rates are higher in the mainland than in Hong Kong, the cost of applying for a utility model patent in Hong Kong is currently three times that of the mainland. What's more, given the support for innovation and entrepreneurship, mainland authorities offer a range of tax concessions and government subsidies, which means that mainland businesses may think twice before expanding into the Hong Kong market. However, start-ups will enjoy Hong Kong's different funding avenues, ease of financing, and an active and lightly regulated investment environment. It may only take a single innovative idea to secure funding. The same kind of financing opportunities are almost non-existent on the mainland.

Going forward, *Quicklyin* hopes that Hong Kong will strengthen its information infrastructure to enhance overall efficiency by connecting various organisations and areas, as well as providing more support to non-local companies interested in using Hong Kong as a base to explore and expand into the ASEAN market, including streamlining bank account-opening procedures for foreign companies. In addition, stepping up policy support for SMEs and reducing service charges may also greatly enhance Hong Kong's competitive edge. Wang welcomes Hong Kong's expanding role in bridging the GBA with ASEAN countries and providing more opportunities for GBA enterprises tapping the ASEAN market.

Hong Kong Textile Company Navigates ASEAN Opportunities and Challenges

Interview

Interview with Lei Xu, Chairman of *Smart Shirts Co Ltd*

The global economic outlook is full of uncertainties and presents numerous challenges to businesses, ranging from volatility in international trade and economy, the spread of anti-globalisation trends, to the rise of protectionism and geopolitical tensions. Businesses in Hong Kong are all looking for ways to work around these obstacles and explore novel opportunities. *Smart Shirts Co*, a veteran in the textile and clothing industry, has been operating its business as an original equipment manufacturer (OEM) for international fashion brands, with a vertically integrated production system that incorporates raw material production and apparel manufacturing. To respond more flexibly to changing trade restrictions in various markets and enhance the resilience of its supply chain, the company has overhauled and updated its production strategy in recent years to fully achieve “Chinese production for Chinese market; overseas production for overseas market”.



Hong Kong textile and apparel manufacturers had set up a great number of factories in Southeast Asia as early as the 1970s to achieve mass production of quality products at lower costs by taking advantage of cheaper labour costs and the absence of textile trade quotas. At the time, *Smart Shirts* moved some of its production lines to the Philippines, as the country was not subject to quotas, so as to secure more orders. The company had at one point been acquired by an American group before becoming a wholly-owned subsidiary of *Zhejiang Shengtai Garment Group*, a listed company on the *Shanghai Stock Exchange*, to focus on the group's overseas business.

Producing for the local market

Speaking to *HKTDC Research*, Lei Xu, Chairman of *Zhejiang Shengtai* and *Smart Shirts*, used Western countries' recent ban on Xinjiang cotton as a case in point, saying: “We used to get most of our cotton from China, a lot of which was from Xinjiang, a major cotton production region within China. However, in response to US restrictions on Xinjiang cotton in recent years, we adjusted our procurement strategy and successfully stabilised our raw material costs and quality, thereby increasing our clients' confidence in our supply chain. Meanwhile, to better respond to our clients' concern about the environment and sustainability, we have implemented regenerative agriculture on our own cotton farms.”

For products intended for clients in Europe and America, *Smart Shirts* sends its Australian cotton to factories in Vietnam, Cambodia, Indonesia and Sri Lanka for processing. However, production for the Chinese market mainly takes place in mainland factories using domestically-produced cotton.

Mitigating nearshoring shocks

Although the group has always focused on OEM exports, with the implementation of ‘Chinese production for Chinese market; overseas production for overseas market’, overseas exports have dropped from 40% to 30%. As Xu explained, with Western countries championing nearshoring in recent years, apparel manufacturing orders for places such as Vietnam and Cambodia have been dealt a blow. According to Xu, Western companies had in the past aggressively outsourced their production to Asia, especially mainland China, in order to lower costs. However, with greater consideration of factors such as geopolitics, supply chain risks, transportation costs, and carbon footprints at play, they have begun to adjust their supply chains, with many choosing to move their production bases closer to Western markets, such as Mexico and Turkey. These trends do not just impact Chinese exports, but will inevitably create headwinds in the long run for apparel production bases such as Southeast Asia that have relied on low labour costs to stay competitive.

Smart Shirts approaches the situation prudently. As Xu explained: “In the past, we set up most of our factories in Southeast Asia not just because of lower labour costs, but also because local culture, traditions and lifestyle are similar to China, making management easier. Now, with the advent of nearshoring in the West, and under relevant policies, companies would be wise to diversify away from the low labour cost advantage of Asian production bases. With the long-term development of our business in mind, we are exploring options to move away from Southeast Asia and conducting feasibility studies for different production sites including Europe, the United States and Mexico.”



A *Smart Shirts* factory in Hanoi, Vietnam

On whether the company will step up its entry into the consumer market in Southeast Asia, Xu conceded that in terms of the group's overall business positioning, Southeast Asia is still largely a production base, with a relatively undeveloped logistics network, long transportation time and high costs. Some countries, such as Vietnam, have been less enthusiastic about the textile and apparel sector due to their focus on high-tech industries. It remains difficult to expand into the retail consumer markets, especially for the company's own brands. Brands that currently perform well in the region are mostly big names from Europe, the US and Japan. Local ready-to-wear retail brands in Southeast Asia remain relatively small, with Xu expecting little change in the situation in the short term.



Capitalising on mainland's cutting-edge smart manufacturing prowess

In recent years, *Smart Shirts* has proactively invested in the implementation of smart and automated manufacturing. Xu sees Chinese companies as leading the world in automation and smart manufacturing. Once logistics, product testing and other processes are further automated, production can be centrally controlled. This will enable manufacturers to design the production of relevant products in the mainland, before sending out to a factory in any location for mass production according to highly standardised specifications.

Xu said: "Amid the globalisation of information, client resources, financial prowess and core technology become the main areas of competition for enterprises. Smart manufacturing and greater automation are definitely the future. At present, China leads the world in investment and technology accumulation in smart manufacturing. We are seizing opportunities and strive to achieve end-to-end automation from raw material procurement to logistics and distribution, in order to stay abreast of global competition."

Meanwhile, *Smart Shirts* is actively stepping up its use of renewable energy, like solar and wind power, and is negotiating a green loan with a bank in relation to one of its solar-powered projects. Xu said: "Given generous government incentives and subsidies, the cost of green energy on the mainland is actually pretty low, at roughly one-third of conventional coal power. As a responsible company, increasing the use of renewable energy is a priority for us. I am confident that our company will continue to lead its competitors in environmental, social and governance (ESG) standards."

Hong Kong remains competitive but lagging in policy incentives

While actively looking for new production bases, *Smart Shirts* will continue to be headquartered in Hong Kong. Xu said: "Hong Kong's advantage lies in having the backing of the motherland. Basing in Hong Kong is beneficial to the group in the long run. What's more, Hong Kong has good trade infrastructure and a reliable legal system. Our clients have a lot of confidence in Hong Kong's rule of law, so when we sign contracts or have commercial disputes, we will definitely opt for Hong Kong as the place of arbitration to resolve disputes."

Although the group did consider moving its core business to Singapore or Shenzhen, it decided that Hong Kong has the advantage when it comes to talent recruitment and retention. Xu explained, saying: "With the adoption of our "Chinese production for Chinese market; overseas production for overseas market" strategy, Hong Kong's importance as an entrepot has declined. Instead, Singapore has a regional advantage, as it is a logistics hub for products shipped between Southeast Asia and South Asia. However, given that our business talent is concentrated in Hong Kong, and with the city's proximity and high-speed rail connection to the mainland, we decided on balance that it is better to keep our headquarters here."



Xu does, however, have concerns about talent in Hong Kong's textile industry. He noted the city has always had a great talent pool, but the number of professionals in the local textile and apparel industry has gradually declined along with the field. This may not be a huge issue at first, but as time goes by, the talent gap may grow and present long-term risks. Fortunately, as the sector rapidly transforms from a conventionally labour-intensive industry to a high-tech one, production has become smarter and more automated, and its appeal to young professionals is again on the rise. Xu is happy to see various industry stakeholders in Hong Kong working together to attract more young people into the textile and apparel industry and nurture more talent with the professional know-how and a global market mindset to contribute to the future development of the industry.

On the other hand, on supporting Hong Kong enterprises to "go out", Xu reckons Hong Kong can borrow from the playbook of many Southeast Asian countries and set up its own industrial parks in areas where companies are concentrated. He pointed out that Hong Kong companies can often benefit from a one-stop, all-rounded platform to help with overseas expansion. Meanwhile, the territory has unmatched advantages in the legal and financial sector, which can provide support to Hong Kong businesses in the industrial park and assist them in operating and expanding their business in overseas locations.

The Super Value-Adder

Hong Kong Walks Tall as a Regional Trade and Investment Hub

For many years, Hong Kong has played the role of a bridge connecting the mainland and overseas markets. In this capacity, it provides unique value-adding opportunities and advantages to mainland enterprises and serves as an important gateway for their going global.

As with the 2021 survey, GBA enterprises were again asked to rate on a scale of 1 to 10 the importance of Hong Kong in facilitating their trading and investment activities in ASEAN. The respondents gave Hong Kong an average score of 7.05 (from a maximum of 10), indicating that they considered Hong Kong a very important platform.



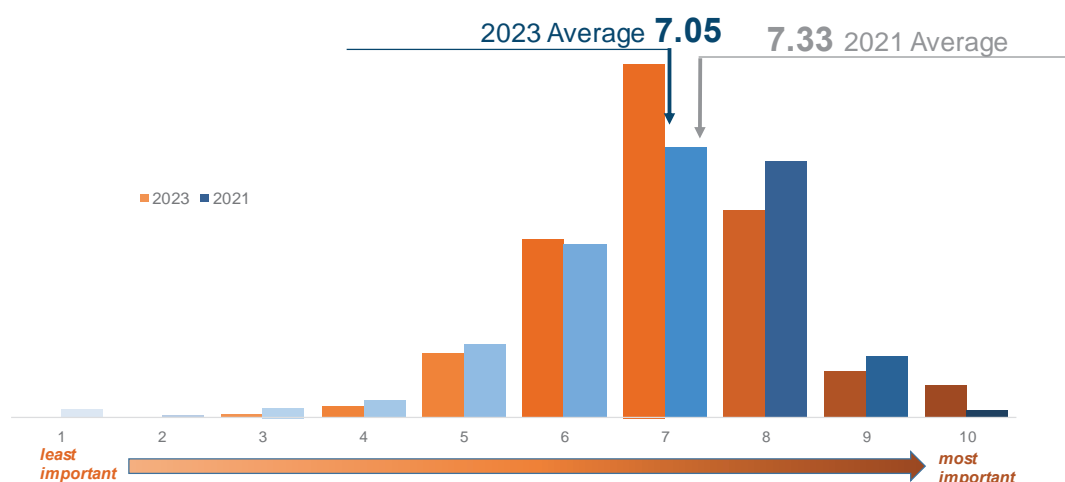
Hong Kong Walks Tall as a Regional Trade and Investment Hub

In general, the size of an enterprise correlates closely with the importance its personnel give to the role of Hong Kong in their ASEAN activities. Enterprises with an annual revenue of more than US\$10 million gave an average score of 7.23 while enterprises with a turnover of US\$10 million or below gave an average score of 6.88. For enterprises with more than 100 employees, the score assigned to Hong Kong was 7.30 on average, whereas that given by enterprises with 100 employees or less was 6.89. The overall results are similar to those obtained in the 2021 survey. Notwithstanding the global economic slowdown and high inflation, Hong Kong remains resilient and is still the region's leading platform for investment and trade, facilitating GBA and other mainland enterprises' expansion into ASEAN.

The overall rating remains high

Importance of HK in facilitating current or potential trading and investment activities in ASEAN

The percentage of respondents, 671 respondents(2023), 657 respondents(2021)



Note: Respondents were asked to assign a score of between 1 and 10, with 1 representing "not important at all" and 10 representing "very important".

Source: HKTDC survey

Connecting the GBA and ASEAN

Respondents were asked to rate (1) Hong Kong's connectivity with mainland GBA cities and (2) Hong Kong's connectivity with ASEAN countries. The rating was on a scale of 1 to 10, with 1 representing "very weak" and 10 representing "very strong". The factors to be considered were grouped into three categories: business environment, financial infrastructure, and cross-border flow of resources.

Connectivity with mainland GBA cities

GBA enterprises generally recognised that Hong Kong has maintained a sound business environment after the Covid pandemic. In particular, Hong Kong scored best on the transparency of its regulatory regime, which got an average score of 7.20 out of 10, with 46.6% of the respondents giving it a score of 8 to 10. On the availability of service providers in Hong Kong serving GBA enterprises, the rating remained good (7.14). The above two scores are similar to those of 7.23 and 7.16 obtained in the 2021 survey. A newly added item in the 2023 survey is the digital connectivity between Hong Kong and mainland GBA cities. The results indicate that Hong Kong, getting an average score of 7.12, is showing good connectivity. As to the availability of talents who understand the GBA market, Hong Kong demonstrates its strength with an average score of 7.01, only slightly lower than the score of 7.14 obtained in 2021.

Hong Kong scored well in the area of financial infrastructure, with some aspects performing better than in the last survey. The respondents generally agreed that Hong Kong provides a good variety of financial products and banking services, giving it a score of 7.2, which is 0.02 higher than in the previous survey. Moreover, 45.0% of the enterprises assigned it a score of 8 to 10. In the sufficiency of cross-border financial infrastructure, Hong Kong also scored better (7.17) than in the previous survey (7.14). With regard to the convenience in capital flow between Hong Kong and mainland GBA cities (7.10) and the availability of fundraising channels for GBA enterprises (7.06), the scores were lower than in the previous survey (7.16 and 7.12 respectively), but Hong Kong's overall performance is still impressive.

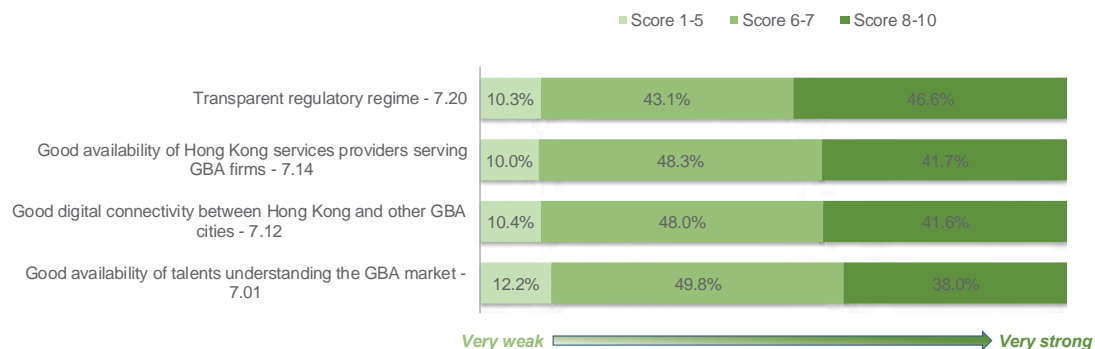
Cross-border flow of resources is Hong Kong's long-standing strength. On its logistics networks and connection with mainland GBA cities, the average score (7.27) obtained was higher than for other factors. Hong Kong also scored well (7.24) for the efficient flow of goods to and from mainland GBA cities. The respondents gave Hong Kong a lower score (7.05) for the efficient flow of human resources to and from mainland GBA cities.

In summary, as in the previous survey, mainland GBA enterprises rank Hong Kong's connectivity with mainland GBA cities more highly than do Hong Kong enterprises. Mainland GBA enterprises gave higher ratings than their Hong Kong counterparts for all connectivity factors. From the overall evaluation, it can be observed that mainland GBA enterprises gave a score of 7.39 to the comprehensive connectivity between Hong Kong and the GBA. This is higher than the score of 6.35 given by Hong Kong enterprises and also higher than the overall average score of 7.28 given in 2021. The industrial goods sector was particularly approving of Hong Kong's connectivity with the GBA, giving an average score of 7.56 for all factors, which is higher than the overall average score of 7.14.

Hong Kong's connectivity with other GBA cities

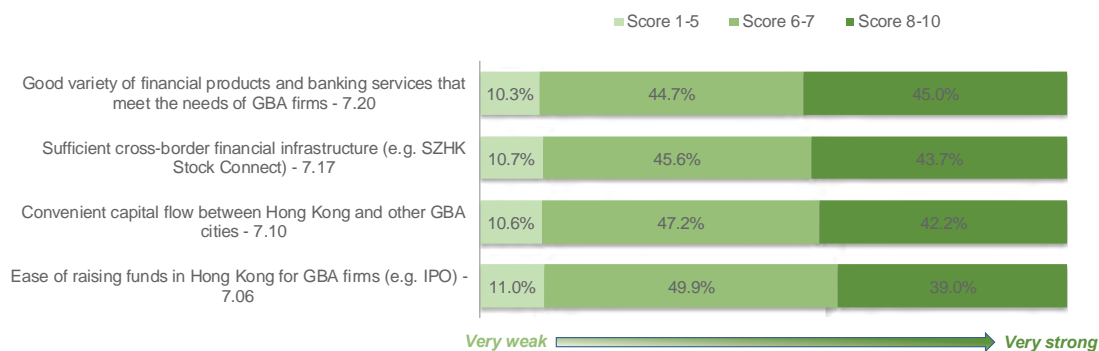
2023 - Business Environment

Satisfaction rating (scale of 1-10) and average score, 671 respondents



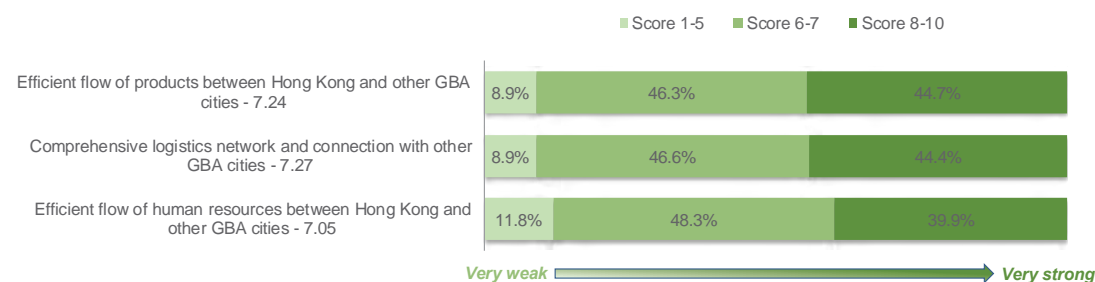
2023 - Financial infrastructure

Satisfaction rating (scale of 1-10) and average score, 671 respondents



2023 - Cross-border flow of resources

Satisfaction rating (scale of 1-10) and average score, 671 respondents



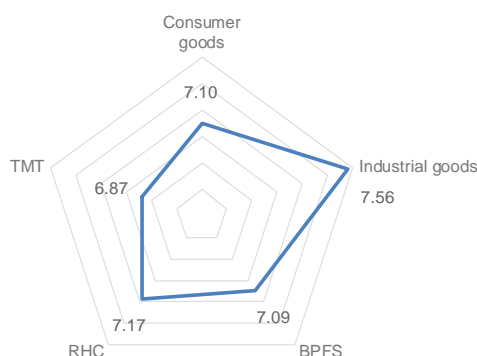
Note: Respondents were asked to rate each aspect on a scale of 1-10, with "1" representing very weak, and "10" representing very strong.

Source: HKTDC survey

Hong Kong demonstrates excellent connectivity with other cities in GBA, with the industrial goods sector being particularly satisfied.

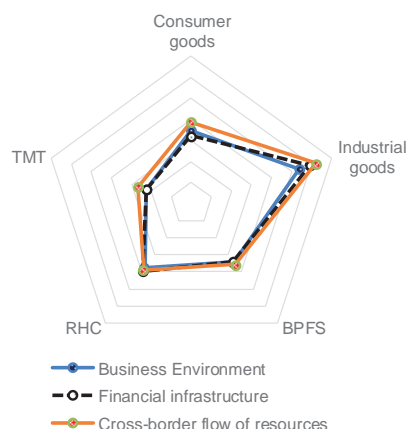
Hong Kong's connectivity with other GBA cities

Average score for all items, 671 respondents



Hong Kong's connectivity with other GBA cities

Average score for each item, 671 respondents



Note: Respondents were asked to rate each aspect on a scale of 1-10, with "1" representing very weak, and "10" representing very strong.

Source: HKTDC survey

Connectivity with ASEAN countries

Regarding Hong Kong's connections with ASEAN countries, the results of the present survey are in line with the previous one, with a positive overall rating. The respondents continue to recognise Hong Kong's extensive business networks in ASEAN, rating it at 7.01, which is slightly lower than the score of 7.18 in the previous survey. The respondents said Hong Kong helped mainland GBA enterprises do business in ASEAN through its sufficient service providers (7.01), information about the ASEAN market (6.99) and talents who understand the ASEAN market (6.92). They also found that Hong Kong's business practices and norms are similar to those in the ASEAN market (6.98). Hong Kong's digital connection with ASEAN countries was a new item introduced in this survey and the respondents considered that Hong Kong demonstrates good digital connectivity (6.98).

Where financial infrastructure is concerned, the virtual absence of exchange and capital controls between Hong Kong and ASEAN got a rating of 7.00 because it helps the trading and investment activities of mainland GBA enterprises in ASEAN operating through Hong Kong. Hong Kong's financial solutions were also found to be sufficient and comprehensive enough (6.94) to meet the cross-border financial infrastructure needs of enterprises (6.99).

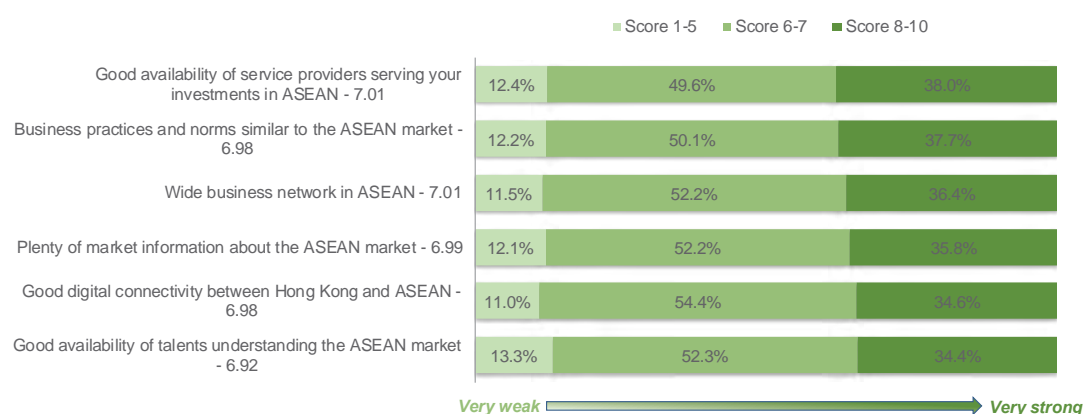
Regarding the cross-border flow of resources, the respondents gave the flow of products the highest average score of 7.07 among related factors, slightly lower than the score of 7.23 from the last survey. The respondents gave a lower score for the cross-border flow of human resources (6.93). This is understandable because the sluggish world economy has made economic prospects uncertain, so talents are more cautious about quitting their current jobs or moving to other countries. Finally, the respondents reckoned that there are sound logistics networks and connections between Hong Kong and ASEAN (7.02). Though all the above scores are slightly lower than the corresponding ones from the last survey, the respondents highly approve of Hong Kong's performance in general.

Mainland GBA enterprises gave a higher rating to Hong Kong than their Hong Kong counterparts. The former gave Hong Kong an average overall score of 7.26, which is marginally higher than the score of 7.25 obtained in the 2021 survey, but much higher than the average score of 6.14 given by Hong Kong enterprises. The situation is similar to that in the previous survey. Furthermore, the industrial goods sector was more satisfied with Hong Kong's performance in connectivity, giving it an average score of 7.45 for all factors involved, which is much higher than the overall average score of 6.99.

Hong Kong's connectivity with ASEAN countries

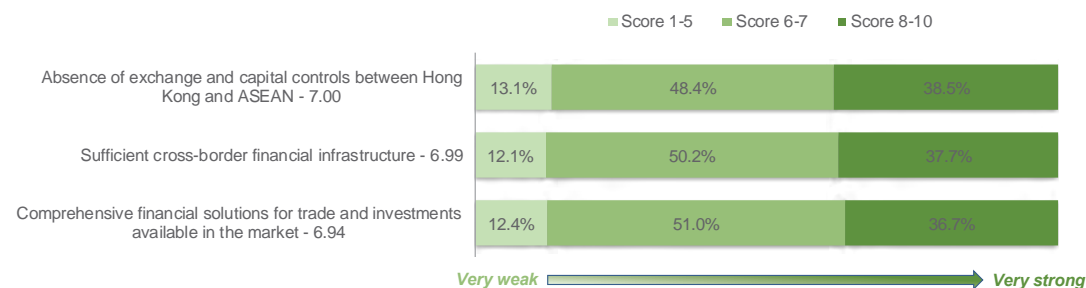
2023 - Business Environment

Satisfaction rating (scale of 1-10) and average score, 671 respondents



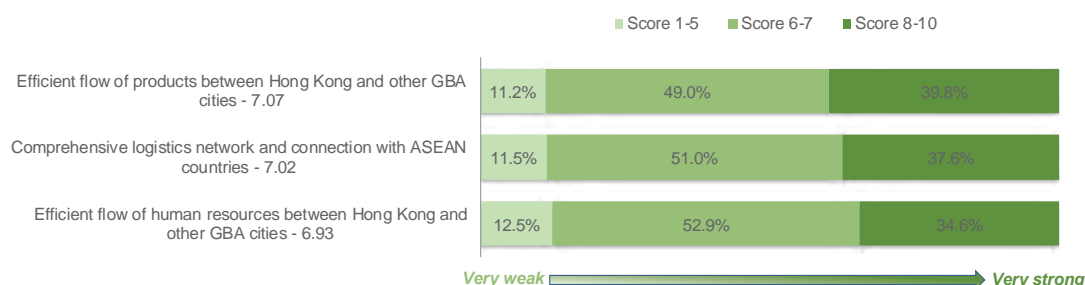
2023 - Financial infrastructure

Satisfaction rating (scale of 1-10) and average score, 671 respondents



2023 - Cross-border flow of resources

Satisfaction rating (scale of 1-10) and average score, 671 respondents



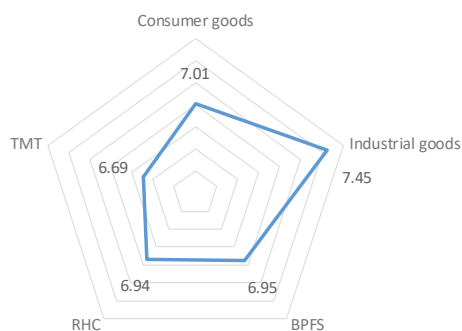
Note: Respondents were asked to rate each aspect on a scale of 1-10, with 1 representing "very weak" and 10 representing "very strong".

Source: HKTDC survey

The connection between Hong Kong and ASEAN countries can be further improved

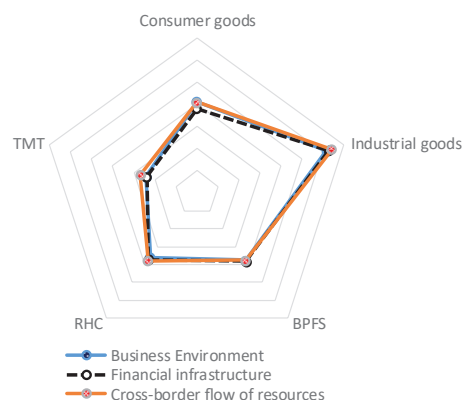
Hong Kong's connectivity with ASEAN countries

Average score for all items, 671 respondents



Hong Kong's connectivity with ASEAN countries

Average score for each item, 671 respondents



Note: Respondents were asked to rate each aspect on a scale of 1-10, with 1 representing "very weak" and 10 representing "very strong".

Source: HKTDC survey

To sum up, as regards facilitating GBA enterprises' trading, investment or operations in ASEAN, Hong Kong scored better in its connection with mainland GBA cities. This finding is similar to that in 2021 and also indicates that Hong Kong has room for improvement in its connections with ASEAN countries. As in the previous survey, Hong Kong's performance in the cross-border flow of resources is outstanding, whereas it performed similarly in terms of connectivity in the business environment and financial infrastructure.

Comparing Hong Kong's connectivity with mainland GBA cities and with ASEAN countries, it turned out that Hong Kong's connectivity with the GBA is seen to be better. For business environment, Hong Kong scored well in its ability to provide sufficient service providers and sound digital connections to enterprises conducting business in the GBA, scoring 8-10 points respectively from 41.7% and 41.6% of the respondents. These percentages are higher than the corresponding ones at 38.0% and 34.6% for conducting business in ASEAN. The cross-border financial infrastructure between Hong Kong and the GBA is considered more effective (7.17) than that between Hong Kong and ASEAN (6.99) and thus gets a higher rating. Connectivity between Hong Kong and the GBA was found to be better than that between Hong Kong and ASEAN in all aspects. The greatest difference was in logistics networks, as logistic connection with mainland GBA cities was rated at 7.27, 0.25 higher than the connection with ASEAN countries.

Moreover, large enterprises were significantly more satisfied with Hong Kong's connection with mainland GBA cities and with ASEAN countries, giving connectivity scores of 7.44 and 7.28 for these two places respectively, which were higher than the scores from smaller enterprises by 0.50 and 0.49 respectively.



Though Hong Kong's overall connection with mainland GBA cities and with ASEAN has been affected by the Covid-19 pandemic, it is still performing well. Hong Kong is working hard to integrate into the national development and realise its "eight centres" positioning. This includes advancing four traditional centres as an international financial centre, international shipping centre, international trade centre and centre for international legal and dispute resolution services in the Asia-Pacific region. It also involves supporting the development of four new centres: as an international aviation hub, an international innovation and technology centre, a regional intellectual property trading centre and an East-meets-West centre for international cultural exchange.

Additionally, Hong Kong is deepening co-operation with other GBA cities and has been strengthening connectivity with the GBA in various ways. One example is the establishment of the Hong Kong-Shenzhen Innovation and Technology Park with Shenzhen. Another is the promotion of the Greater Bay Area Youth Employment Scheme. From the scores given by mainland GBA cities in this survey, Hong Kong's efforts have been quite successful and it is expected that it will build closer ties with mainland GBA cities in the future.

Meanwhile, Hong Kong is endeavouring to strengthen connections in the ASEAN region. In July 2023, its Chief Executive visited three ASEAN countries and signed a number of memorandums of understanding. Respondents consider regional trade integration as the most favourable trend for short-term development, and so Hong Kong will continue to operate as an important regional hub, strengthening ties with the ASEAN region and realising more efficient connectivity. This will provide high value-added to GBA enterprises intending to start or further expand their ASEAN business.

Hong Kong's professional services play crucial role in facilitating investments in ASEAN

Hong Kong is an important gateway linking the GBA with overseas countries. Its professional services are very attractive to GBA-based enterprises that are trading with and investing in ASEAN. In this survey, 90.8% of the respondents said they had used Hong Kong's sales and marketing services, which is higher than the 86.3% in the 2021 survey. Next in attractiveness are information and communications technology (ICT) services (84.9%) and logistics and supply chain management services (83.9%). The former is a new service, while the proportion of respondents using logistics and supply chain management services was higher than in the previous survey by 2.2 percentage points. The proportions of respondents who have used financial and fundraising services as well as research and development services were 66.3% and 72.0% respectively.

New items in the 2023 survey include ESG-related services and foreign direct investment (FDI) advisory services. While 75.4% of the GBA enterprises have used ESG-related services, 21.0% said they would increase the use of FDI advisory services over the next two years, particularly those engaged in the consumer goods industry (25.6%). There were also relatively more Hong Kong enterprises (32.7%) intending to use such services.

Sales and marketing services

Sales and marketing services are important for GBA enterprises in their expansion into the ASEAN market. Contrary to the previous survey, the proportion of mainland GBA enterprises (91.2%) saying that they have used such services is higher than that of Hong Kong enterprises (89.5%). The proportion of enterprises which already have business operations in ASEAN and have used Hong Kong's sales and marketing services (96.6%) is higher than that of enterprises without a presence in ASEAN by 9.5 percentage points. Moreover, 27.8% of the respondents expected that they would use these services more often over the next two years. This indicates that after the pandemic, enterprises want to connect with the ASEAN market again via Hong Kong's international platform. Less than 1% of the respondents (0.9%) said they would use Hong Kong's sales and marketing services less often.

Information and communications technology services

The survey found that 85.3% of mainland GBA enterprises and 84.0% of Hong Kong enterprises said they had used ICT services, a newly added factor, while 49.4% of Hong Kong-based respondents said they have been using these services frequently or occasionally. For enterprises that have been operating in ASEAN and those that have not yet entered, 88.9% and 82.4% respectively said they had used Hong Kong's ICT services. Among the respondents, 20.9% said they would use these services more often in future and only 1.1% said they would reduce their usage.

Logistics and supply chain services

Mainland GBA enterprises generally approve of Hong Kong's performance in cross-border flow of resources, and their demand for Hong Kong's services in logistics and supply chain management has been growing continuously. While 86.2% of the mainland GBA enterprises said they had used these services, 76.5% of the Hong Kong enterprises said so. Enterprises that have already entered the ASEAN market (91.2%) had significantly higher needs for logistics services compared to their counterparts that have not (79.3%). As to expected changes in the next two years, 25.2% of the respondents said they would use the services more often, which is only slightly less than for sales and marketing services. This shows that enterprises are fully confident in Hong Kong's logistics services. As mentioned above, supply chain risk management is among the three trends favourable for investing in and expanding into the ASEAN market. Supply chain risk management tops the three trends as 31.3% of the respondents said they would increase the use of this service.

MICE services

Hong Kong's MICE (i.e. meetings, incentives, conferences and exhibitions) services are very important to GBA enterprises with 82.1% of Hong Kong enterprises and 81.7% of mainland GBA enterprises respectively saying they have used these services. The proportion of enterprises that have been operating in ASEAN (87.7%) is higher than that of enterprises that have not yet entered by 9.7 percentage points. While 19.3% of the enterprises said they would use MICE services more often in the next two years, close to 30% of respondents that regard promotion services as their major development strategy would use such services more often. This shows that the respondents are highly confident that after the pandemic, Hong Kong will be able to revive its MICE services. Before the pandemic, about 70 conferences and exhibitions were held at the Hong Kong Convention and Exhibition Centre (HKCEC) every year. As Hong Kong's economy returns to normal, all of the established international trade fairs targeting business clients will be staged again in the financial year 2023/24. The institutions concerned have predicted that the number of banquets to be held at the HKCEC in 2023 will likely reach 70-80% of the pre-pandemic level. Hong Kong will therefore continue to offer high-quality international conference and exhibition services, promoting the trading and investment activities of enterprises around the world, including those from the GBA and ASEAN.

Foreign direct investment advisory services

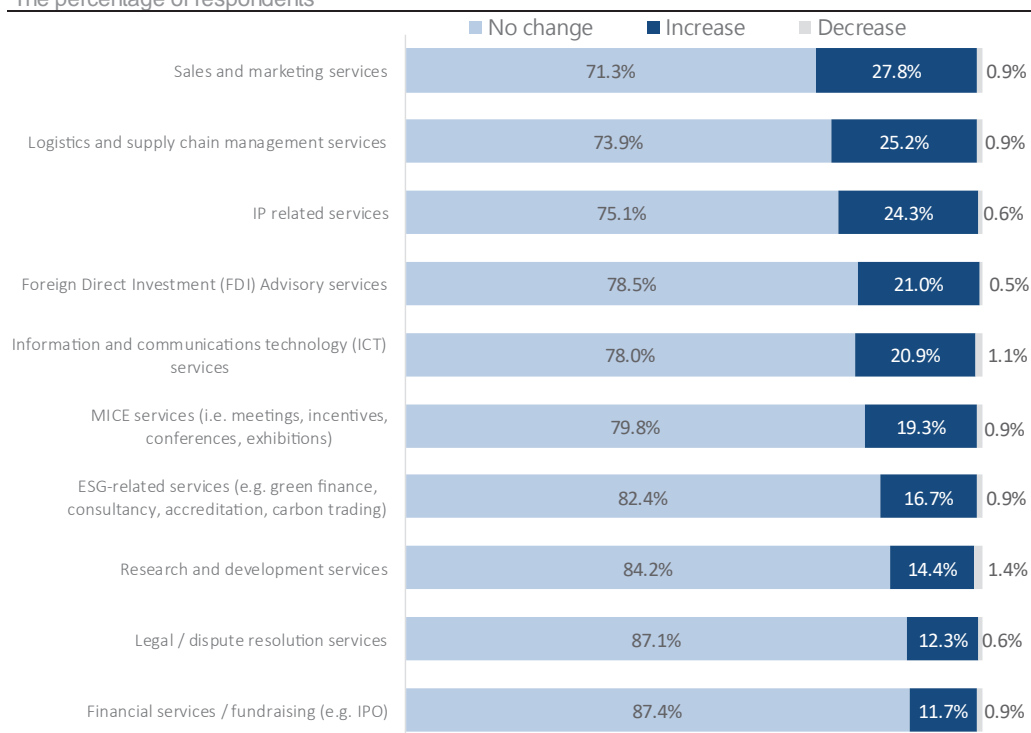
Hong Kong's FDI advisory services, another newly added item in this survey, are more valued by mainland GBA enterprises, as the proportion of mainland-based respondents (81.7%) that have used these services is higher than that of Hong Kong enterprises (73.5%). Respondents engaged in real estate, hospitality and construction (88.9%) or business, professional and financial services (86.1%) are more partial to Hong Kong's FDI advisory services. These services are of more interest to those already operating in ASEAN: 86.6% of this latter group said they had used these services, 11.2% more than those that have not yet entered. At the same time, enterprises without a presence in ASEAN (23.7%) had a higher intention of using these services more often than enterprises already operating by 6.9 percentage points.

In general, GBA enterprises remain optimistic about using more Hong Kong services to facilitate their trading and investment activities in ASEAN.

Hong Kong's services maintain excellent competitiveness and assist businesses in entering ASEAN

Expected change in the usage of the services in Hong Kong in facilitating trading and investment activities in ASEAN in the next 2 years

The percentage of respondents



Source: HKTDC survey

Medtech Firm Makes Inroads into ASEAN's High-End Healthcare Sector

Interview

Interview with Forrest Chen, Deputy General Manager of Shenzhen Wisonic Medical Technology Co Ltd

The increasing size and wealth of ASEAN's middle class is expected to fuel a rise in demand for high-end healthcare services in the region. *Wisonic Medical Technology Co* is one company hoping to take advantage of this. It focuses on the research and development (R&D) and manufacture of high-end diagnostic equipment. Its ultrasound diagnostic system has already found a market in Indonesia, Thailand, Singapore, Malaysia and other ASEAN countries. *Wisonic* was incorporated in Shenzhen in 2013 and set up a regional office in Hong Kong in June 2020. In an interview with *HKTDC Research*, the company's Deputy General Manager Forrest Chen said he believes that Hong Kong is an ideal place for business management, logistics, overseas investment and financing, and plays an important role in *Wisonic's* efforts to open up the ASEAN market.



Leveraging technological advantages to expand ASEAN market

Wisonic's ultrasound diagnostic system *Clover* was first marketed in 2015. Through the use of optimised image processing algorithms and direct targeting of users' pain points, it produces clearer images than other ultrasounds do and makes the diagnostic process much smoother. According to Chen, it is thought to be one of the top three systems in China in terms of market share. He also said that *Wisonic* has overtaken international companies like *GE* and *Fujifilm* in the field of ultrasound local anesthesia and become the market leader on the mainland. In product R&D, the *Wisonic* team actively deploys cutting-edge technologies, including artificial intelligence (AI) and 5G telemedicine applications, to enhance its technological strength and the competitiveness of its products.

Wisonic relies on its product and R&D strengths to make inroads into the Southeast Asian market. It has become one of the three mainstream brands in the region in clinical ultrasound systems. It has successfully entered eight ASEAN markets and established itself as the leading brand in the market, while continuously increasing its market share and improving its brand status in the region. The ASEAN is one of *Wisonic's* fastest growing markets, accounting for about 20% of the group's global revenue.

ASEAN's healthcare demand

Pointing out that, compared to those in developed countries, ASEAN's healthcare sector still has plenty of room for growth, Chen said: "ASEAN's medical devices market is expected to maintain a high annual growth rate of more than 10% over the next 10-20 years. The 10 ASEAN nations have a total population of close to 600 million and a rapidly growing middle class. They have an average annual GDP growth rate of over 5% and the disposable income of ASEAN consumers is steadily on the rise.

"Healthcare expenditure is expected to become an important growth driver for the medical devices market and create a strong rigid demand for all kinds of medical devices and consumables. ASEAN governments, meanwhile, are increasing their input into the healthcare sector, building and upgrading hospitals, clinics and other healthcare infrastructure, and healthcare is one of their policy priorities. One ASEAN country has even introduced universal health coverage to ensure basic health care for more of its people.

“These factors have led to a rapid growth in consumer demand for healthcare. Increased investment by the ASEAN countries to upgrade their healthcare information network has also resulted in the rapid expansion of the healthcare information market. The rapid rise of innovative forms of healthcare, such as mHealth and telemedicine, has also created big possibilities for the innovation of medical devices.”

Challenges and opportunities

Although *Wisonic* has made significant headway in the ASEAN market in recent years, Chen and his team have inevitably encountered difficulties in opening up the market and doing business in the region. Elaborating on these obstacles, Chen said: “We still encounter considerable challenges on the policy level. For example, the Vietnamese government specifically requires that imported medical devices be EU or US certified. This makes gaining access to Vietnam and other developing countries more difficult.

“Meanwhile, access restrictions in some of these countries are presenting hurdles to our expansion. In Indonesia, for example, the rule that each medical device manufacturer can only co-operate with one distributor has greatly hampered the plans of Chinese enterprises to expand their regional coverage through multiple channels. Our company also finds that the policies and regulations of ASEAN states keep changing due to changes of government. The need to cope with the fast-changing policy environment in our business development presents considerable difficulty and uncertainty in our formulation of marketing strategy.

“Moreover, the fact that the tariff system is more complicated in the ASEAN states than in the developed markets can also add to the business costs and tax risks for new companies. Differences in import-export policies and tax rates may also increase *Wisonic*’s operational costs in the region.”

Chen also noted an unevenness in the ability of ASEAN distributors, resulting in differences in the development of marketing channels between different regions. Some regional distributors are rather weak in their ability to open up new markets. A mixed bag of marketing channels makes the improvement and integration of market promotion difficult. Chen also pointed to the issue of consumer irrationality and how it affects Chinese brands, saying: “Another thing is that the prejudice and misunderstanding shown by some less-developed countries towards Chinese brands has created additional barriers other than product quality. According to market feedback, in more developed countries like Singapore and Malaysia, hospitals are more receptive to our medical products. But the opposite is true in some of the relatively backward countries, where irrational rejection of Chinese brands is more evident.”

Hong Kong as base for opening up ASEAN market

Wisonic opened a regional office in Hong Kong in June 2020 in order to improve the expansion of its ASEAN business. It co-ordinates *Wisonic*’s logistics networks and cross-border trade in the region, makes use of the city’s legal, financial, accounting and business advisory services, and manages *Wisonic*’s ASEAN business using Hong Kong as a base. Hong Kong being a free port and an international business hub with a simple tax regime helps reduce the operational costs and tax risks of *Wisonic*’s ASEAN business.

Underlining the city’s advantages to his company, Chen said: “Hong Kong has a well-developed logistics system with efficient customs clearance and operational capability in shipping and air transport that provides a strong level of assurance to companies exporting goods to the ASEAN market.



“Hong Kong is also the only Common Law jurisdiction in China and its rule of law system is well recognised by the international community. Companies can capitalise on this advantage by making Hong Kong the legal and arbitration hub for their ASEAN business. When signing contracts with ASEAN partners, they are likely to choose Hong Kong as their preferred city for arbitration and mediation in case of disputes.

“Moreover, as an international financial centre Hong Kong is the best place for handling fiscal and tax matters. We can use the comprehensive set of advantages that Hong Kong offers to unfold our business in the ASEAN market more flexibly and more efficiently, reduce the risks of compliance and legal disputes, integrate better with the local market, and provide the appropriate services support to our customers.”

Wisonic's Hong Kong office is responsible for logistics and after-sales services for the ASEAN market. Because Hong Kong has efficient logistics services and favourable tax policies where tax refunds can be easily arranged, the city is a good base for *Wisonic's* development. It also plays a key role in giving after-sales support and provides the company and its partners with the legal services that they need. Many law firms have set up offices in Hong Kong to help companies needing such services. In *Wisonic's* view, Hong Kong has a sound legal system and is well-known globally in the field of arbitration, which is crucial for legal co-operation.

For large-scale businesses, Hong Kong's role as an important global logistics centre makes it a reasonable and cost-competitive transit point. This is particularly true for companies that deal in high value-added products and make frequent use of air freight services. In terms of logistics efficiency, Hong Kong is more attractive to these firms than Shenzhen. Another important factor is Hong Kong's convenient external transportation system, which facilitates international trade and logistics. All of these combine to make Hong Kong the ideal location for expanding business with ASEAN countries.

Meanwhile, Hong Kong's relatively low tax rates help to reduce businesses' tax burden. However, it should also be remembered that operating costs, including office rental and logistics and warehousing, are quite high in Hong Kong. Companies need to strike a balance between cost and convenience when planning to expand their offices or rent warehousing space.

Chen also pointed out that Hong Kong's international business environment helps *Wisonic* communicate and make contact with its ASEAN customers, saying: “The fact that English is widely spoken as an official language in Hong Kong contributes towards *Wisonic's* exchanges and co-operation with customers and consumers in the ASEAN region. Furthermore, Hong Kong's proximity to the ASEAN market, which allows it to respond swiftly to the needs of local users for maintenance and technical support, also makes the city an ideal platform for managing business in the ASEAN region.

“We are using Hong Kong's position as a ‘hub of hubs’ to flexibly and efficiently unfold our business in this region. Moreover, Hong Kong's visa-free policy facilitates business travel. Its well-developed logistics industry can also provide quick solutions to logistics problems in ASEAN's export process.”

Localisation in opening up ASEAN market

Chen said that, in the future, *Wisonic* plans to establish local body corporates and build local marketing teams in key ASEAN states. The idea is that this will help the company increase its market share and brand awareness in the ASEAN market. Outlining the strategy, Chen said: “We plan to set up a subsidiary in Jakarta in 2024 to oversee local market expansion, channel building and customer engagement, while assisting local distributors in formulating marketing strategies and achieving faster market penetration.

“In future, we plan to establish sales offices in more ASEAN states and recruit sales personnel who are well-versed in the local language and culture for targeted market promotion. We will also continue to look for high-calibre distributors as partners to expand sales channels covering different types of hospitals and clinics and expand our product promotion networks. *Wisonic* is negotiating with medical device manufacturers in several ASEAN states and considering the possibility of local assembly and production through technology transfer and/or joint venture to further reduce costs and the burden of import tariffs.

“*Wisonic*’s Hong Kong branch will play an increasingly important role as the company’s ASEAN business grows. In addition to logistics and after-sale services for the ASEAN market, it will employ more people with international vision and experience in Hong Kong to help the management deal with local distributors and partners. *Wisonic* will also rely more on Hong Kong’s legal institutions to handle legal issues encountered in market development in different ASEAN countries.”

Consumer Electronics Tech Firm Uses Hong Kong as Springboard to Expand in ASEAN Market

Interview

Interview with Yu Lei, Founder and CEO of Shenzhen FreeYond Technology Co Ltd

FreeYond is a technology start-up focusing on consumer electronics. Within a year of its incorporation, it has successfully developed several models of smartphones and wearable devices and gained access to the Southeast Asian market, initially achieving success in its overseas expansion. It plans to open up the market further in the ASEAN member states following the implementation of the *RCEP*. In an interview with *HKTDC Research*, company founder Yu Lei analysed *FreeYond's* development strategy and model and explained how the company uses Hong Kong to try to seize the opportunities presented by ASEAN's great potential.



The Hong Kong financial hub

Yu began by outlining Hong Kong's advantages to *FreeYond* as a financial hub, saying: "Hong Kong is our main financing platform and fund management centre and our base for receiving customers' payments. We have a wholly-owned subsidiary in Hong Kong and all payments from ASEAN customers are transferred to our account in Hong Kong."

Hong Kong has a highly developed banking sector with a large cluster of internationally renowned investment banks and private equity funds that are capable of providing companies with diversified financing channels. In equity financing as in debt financing, Hong Kong's professional institutions provide efficient services. Hong Kong's active capital market, with its smooth channels for financing by listing, will also provide a solid foundation for *FreeYond* as it looks to raise funds on a larger scale in future.

When it comes to fund management, Hong Kong's numerous international commercial banks provide *FreeYond* with safe and dependable fund custody and exchange settlement services. Explaining why the company prefers to use banks based in Hong Kong, Yu said: "Based on our previous experience with Hong Kong's financial institutions, the remittance service is fast and efficient although they charge higher fees than mainland banks. We also plan to have our first initial public offering (IPO) in Hong Kong to raise funds for opening up the ASEAN market."

Yu made it clear that Hong Kong's professional services sector was another factor that encouraged the company to conduct its business in the city, saying: "We hired lawyers from Hong Kong law firms to sign investment agreements some time ago and were deeply impressed by their professionalism and efficiency. We will have more opportunities to co-operate with Hong Kong's legal and intellectual property consultants in our handling of ASEAN business in future."

Yu said over 95% of *FreeYond's* goods sold overseas are exported via Hong Kong using its high-quality logistics and shipping services. Hong Kong boasts a world-class shipping industry with famous market players such as *Hutchison Ports* and *Modern Terminals* providing convenient and reliable shipping services to companies.

With shipping networks covering the whole world, Hong Kong's shipping companies can efficiently ship products to Southeast Asia and other overseas markets. Their personnel, who have a reputation for being highly professional with a good service attitude, are able to handle shipping matters properly as required. Expressing his company's trust in the sector, Yu said: "The experience and reputation accumulated by Hong Kong's shipping companies over the years give us great confidence in the quality of their service. We also look forward to Hong Kong continuing to expand the coverage of its shipping service to connect more international destinations so we can further improve the connectivity of our business."

Consumer electronics

Founded in Shenzhen in May 2022 as a technology company specialised in consumer electronics, *FreeYond* mainly deals in smartphones and smart wearable devices. Despite its short history, it has already launched six smartphone models, two smartwatches and one type of Bluetooth earphones. It currently markets its products to several ASEAN countries, including Myanmar and the Philippines, and plans to fully cover all 10 ASEAN member states in the next year or two. To this end, it has started strategic co-operation with four of the biggest OEMs in the world and obtained strong support from them in terms of production capacity.

Hong Kong, being one of the most influential consumer markets in the region, is *FreeYond's* base and publicity platform for its product launches. Hong Kong consumers tend to be attracted by novel and fashionable products and are willing to dig deeper into their pockets for a better experience. This makes Hong Kong an ideal place for *FreeYond* to launch new products.

Launching and selling new products in Hong Kong can boost brand recognition and allow the manufacturer to improve its products based on consumer feedback. Since Hong Kong is a place with a strong international media presence, *FreeYond* can achieve widespread international attention by launching new products here, thus saving itself a lot of effort in trying to get publicity for its brands. Hong Kong's other strong points, such as its speed in getting new products on shelves and its efficient dissemination of product information, are also a help when it comes to getting companies a head start when launching products.

In order to stand out in the competitive smartphone market, *FreeYond* focuses on electronics R&D using cutting-edge technology. For example, it co-operated with a manufacturer of brain-computer interface (BCI, a system that provides a direct connection between one's brain and an electronic device) to develop smart sleep earbuds, with the aim of improving sleep quality through direct stimulation of the ears and EEG algorithms. Underlining the link between high-tech R&D and increased sales, Yu said: "We hope to apply cutting-edge technology to consumer electronics to popularise advanced technology among consumers. Thus we need to integrate high technology to make it readily available to ordinary consumers."

African market

Yu explained why *FreeYond* had decided to venture into Southeast Asian market so soon after its establishment, pointing out that its great potential offered the company a rare development opportunity and adding: "Southeast Asia is very suitable for *FreeYond* and is an ideal market for smartphones that are good value for money. After getting in touch with our Southeast Asian clients, we discovered that the region is a segmented market with low individual purchasing power but a sizable market that suits a start-up company like ours.

He singled out his company's success in Malaysia in particular, where – according to him – *FreeYond* smartphones are popular among several different consumer groups and have a market share of up to 20% in some of the local smartphone stores. Giving more detail about the company's expansion into Malaysia, Yu said: "We obtained an angel fund of close to RMB100 million from a Malaysian consortium in January 2023 and eventually even became an official sponsor of the Malaysian national badminton team, which contributes to our success in that country.

“We co-operate with distributors in each ASEAN state by granting them sole distributorship and encourage them to the largest extent possible to get involved in product promotion. Some distributors, such as the one in Malaysia, have even become shareholders, which gives them greater drive to promote our brand. Our long-term strategic goal is to develop *FreeYond* into a popular local brand through deep bonding with outstanding local distributors in each and every ASEAN state.”

Yu added that *FreeYond* attaches great importance to social e-commerce in Southeast Asia, saying: “The fact that our distributor in Malaysia can sell 500 phones a month through short video live streaming proves the tremendous influence of new media forms like *Tiktok* and *Kwai* among Malaysia’s young consumers.”

Noting that localisation will continue to be *FreeYond*’s main development strategy even after the completion of its initial plans to achieve full market coverage in the 10 ASEAN states, Yu said: “Our localisation strategy will find concentrated expression in the recruitment of local marketing and sales personnel, the relocation of some assembly procedures, and the appointment of one distributor in each ASEAN state to take charge of local sales. We will strive to develop into a popular local brand through co-operation with local distributors. We will first choose some of the better developed ASEAN countries, such as Malaysia, Indonesia and the Philippines, as strategic strongholds, and set up offices in these countries for deep co-operation with the local distributors.”

Venturing into the Southeast Asian market is, however, only the first step in the company’s strategy for global expansion. Explaining that *FreeYond* will also actively try to open up the African market this year, Yu said: “*FreeYond*’s smartphone products meet the needs of consumers in the developing African countries with their affordable price and powerful performance. We have already gained access to the Nigerian and Ethiopian markets and received good feedback in them.”

Hong Kong set to become biggest springboard for businesses thanks to RCEP

RCEP, a free trade agreement between the 10 ASEAN states, China, Japan, South Korea, New Zealand and Australia, is of great significance to companies looking to open up the ASEAN market. Getting access to a preferential tariff under the *RCEP* would reduce costs and increase the competitiveness of the company’s products.

At present, Malaysia imposes a 5% tariff on smartphones from mainland China, while the tariff imposed by the Philippines is as high as 10%. Yu is looking forward to the realisation of zero tariffs under *RCEP* for mainland products in the ASEAN market. Tariff reductions would help *FreeYond* complete its deployment in ASEAN and become a local brand.

The company will, however, maintain its foothold in Hong Kong in the future. Yu believes that Hong Kong has unique advantages that cannot be replaced, saying: “Finance and technology are the foundation for Hong Kong’s continuous development.” He points to factors such as its independent currency, the geographical advantage of being next to mainland China, and its status as a global free port. Compared to countries like Singapore and Malaysia, in particular, Hong Kong is unique because its currency is pegged to the US dollar. It also has obvious geopolitical advantages. For example, the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone shows the complementarity between Shenzhen and Hong Kong and highlights the close connection between Hong Kong and mainland cities.

With its many advantages, such as a good financial system, a sound legal system, an abundance of talent in the field of intellectual property, a well-developed logistics industry, and connectivity with the mainland and the ASEAN states, Hong Kong will continue to be able to help more GBA companies enter the ASEAN market.

Hong Kong Start-up Provides Sustainability Training to Asian Corporate Students

Interview

Interview with Chak Man Ho, Founder of *Tamee (Hong Kong) Ltd*

Sustainability has become an important trend in global economic and trade development. The Sustainability Development Goals (SDGs) adopted by the *United Nations* even set specific development frameworks and paths for companies in different places. Sustainable development has become a main theme in European countries and the US after years of training. However in Asia, training on sustainable development is still in its infancy. Most markets have yet to be developed and the market space available is huge.



Sustainability courses

Tamee is a Hong Kong start-up that provides training and advisory services on sustainability. Founded in May 2022, it designs its own training courses for the vast sustainability training market in Asia. It has a staff of about 10 people, and the core members of its team all have rich experience both in sustainable development and in education and training. It specialises in developing and providing training programmes related to sustainability goals. It also provides a sustainability advisory service to corporate clients and conducts appraisals on SDGs and sustainability for them. It appraises companies' performance and future development direction in the area of sustainable development, according to the standards of the *United Nations Development Programme (UNDP)*, and supports community-related sustainability programmes with a view to fostering the sustainability awareness of its students while enhancing their practical skills.

Tamee has already successfully established strategic co-operation ties with the *Shanghai Global Science and Technology Innovation Center*, as part of the *United Nations Industrial Development Organization (UNIDO)*'s Global Innovation Network Project. This was achieved with the help of one of its own consultants (who has now become Vice President of the *Institute of Digital Finance of Global Technology and Innovation Networks* under *UNIDO*). It has also opened up the Philippines market with the help of the *Philippine Chamber of Commerce and Industry*.

Outlining how successful his company has been in its first few years, *Tamee* founder Chak Man Ho said: "We have built up and accumulated a lot of content for sustainability courses since our establishment and forged strategic ties of co-operation with *UN* agencies. Through these efforts, we have successfully extended our business to the Southeast Asian market. Through our unique sustainability training courses and rich practical experience, we have steadily secured a place in the field of sustainability training."

Tamee provides both online and onsite courses on sustainability. Online courses mainly centre on videos on topics relating to SDGs, while onsite courses mainly use auxiliary practical tools for students to learn through practice. In addition to theoretical studies, some courses allow students who want to work for SDGs to form their own teams to explore their community's sustainability needs and design their own sustainable development programmes according to these needs. *Tamee* appraises the social impact of these programmes upon completion, submits reports to companies that support these programmes or reports to the relevant *UN* agencies. At the same time, the company will issue a certificate for the report in conjunction with a *UN* agency in Shanghai. *Tamee* has helped a plastics recycling plant in Fanling (whose parent company is listed on Hong Kong's Growth Enterprise Market) to launch a community education programme, and then reported the details of the programme to the relevant *UN* agency.

Another sort of client that *Tamee* targets are Asian companies with a keen demand for sustainable development. These companies need to improve their sustainability performance in promoting their products and services to various parts of the world, especially the European and American markets. In their provision of advisory services on sustainability and environmental, social and governance (ESG) issues, Chak and his team make comprehensive sustainability appraisals for companies in accordance with the SDGs and the relevant indicator frameworks. *Tamee* also offers suggestions to these companies on sustainability strategies and targets for the next five years in accordance with *UNDP* standards and gives them advice on their implementation.

According to Chak, *Tamee* is providing these sort of services to one company listed on the Main Board of the *Hong Kong Stock Exchange (HKEX)*. In terms of the environmental aspect of ESG, *HKEX*'s current rules require companies to disclose their plans for coping with climate change in future. *Tamee* draws up five-year sustainable development blueprints and strategies, including carbon neutrality roadmaps, for its clients. It also co-operates with strategic partners to help them participate in forest carbon sinks and assist them in achieving carbon neutrality and even carbon negative goals in line with SDG 13, China's carbon peaking and carbon neutrality goals, and the "nationally determined contributions" (NDCs) in the Paris Agreement.

In terms of the social aspect of ESG, *HKEX* requires companies to disclose their "community engagement" information. *Tamee*'s services can improve the ESG quality of companies and help them take part in the SDG projects of local student and non-governmental organisations (NGOs).

Explaining how his company's services can help businesses financially, Chak said: "With this one-stop total solution for sustainability, we can help companies bring their ESG level up to *UN* standards and apply for green loans. They will stand a better chance of getting green loans when their ESG performance and sustainability records undergo bank and third-party appraisal and they will not be suspected of 'greenwashing'."

Global connections

Hong Kong is an important international hub connecting mainland China, Southeast Asia and other international cities. This gives *Tamee* a unique advantage and enormous potential and helps spread its business knowledge and concepts to various parts of the world. With Hong Kong acting as a bridge, the company can expand its business network to surrounding regions and beyond and meet more potential partners. With the help of Hong Kong's good connections with overseas Chinese communities and chambers of commerce, it can promote its products and business concepts to Southeast Asia, especially countries like the Philippines and Indonesia. Chinese people overseas, who are familiar with the local situation and have close contact with Hong Kong, can provide channels and support to companies in their attempts to gain access to new markets.

Tamee has also taken part in Hong Kong's computer festival to promote its products and concepts. Participation in exhibitions is of particular importance when it comes to business promotion as it helps broaden the company's business network overseas, especially to the ASEAN market. Chak said they met a lot of potential overseas customers through the show, especially because their stand was located right next to the Web3 (third-generation Internet) zone.

As ties between different GBA cities deepen, Hong Kong's co-operation with the surrounding areas also grows, especially in the field of education. This development is advantageous for *Tamee*, as it can now strengthen its connection with the GBA through education and other aspects. Hong Kong's close ties with ASEAN countries also makes it an important bridge for China-ASEAN co-operation. Speaking about the possibility of increased links with mainland China, Chak said: "As the scale of our business grows, we may consider opening an office in Shenzhen to pave the way for further opening up the mainland market by building a large potential customer base there."

With the help of one of its consultants, *Tamee* collaborated with the *Shanghai Global Science and Technology Innovation Center* under *UNIDO's Global Innovation Network Project*, using Hong Kong's position as a link between mainland China and the Southeast Asian markets and its grasp of Web3 technology. As part of the collaboration, the Center provided *Tamee* with *UN* certification support in the development of sustainability programmes and authorised it to use the *UN* logo, making its sustainability education and training programmes stand out among competitors. The *UN* accreditation also increases *Tamee's* appeal to people in Asia and encourages more Asian companies to believe that *Tamee* can offer professional and reliable advisory services on sustainability. This is the most important milestone in *Tamee's* development.

Asia roadmap

Relying on Hong Kong's economic and trade status and its connectivity with ASEAN, *Tamee* has successfully opened up the Philippines market through the country's network of Chinese merchants. It is now providing sustainability training and advisory services to local companies. Explaining why *Tamee* had targeted the Philippines, Chak said: "We chose the Philippines as our first destination in the ASEAN market mainly because the place abounds in talent who speak fluent English and have international business experience. The demand for sustainability training and advisory services there is growing by the day, which is highly consistent with our business development plan in more ways than one. At present, we mainly look for partners who are reliable and know the local market well through the network of overseas Chinese chambers of commerce in the Philippines. We rely on their connections for market promotion in order to minimise risks arising from differences in law, regulations and culture."

Chak plans to expand his business to the whole of Southeast Asia within two to three years. Indonesia and Thailand will be prime targets. He also plans to actively open up the market for sustainability training and advisory in Japan and South Korea. Meanwhile, *Tamee* needs to make continued efforts to optimise its existing curriculum and develop more new modules on project management and social impact appraisal in order to provide a more comprehensive and systematic system of sustainability courses and services.

Chak underlined his optimism about future expansion, saying: "Sustainability has become an irreversible global trend and Asia is at a crucial stage in the formation and dissemination of the ideology of sustainable development. Governments and businesses alike are actively looking for paths and means to achieve their own sustainable development. Trail blazers like us can expect to see spring coming to the market and we believe the next few years will see *Tamee*'s historical moment of business expansion in the region, even in the whole world."

Enhanced Financial Services Network Connects GBA and ASEAN Companies

Interview

Interview with Christine Ip, CEO – Greater China, UOB

The *United Overseas Bank (UOB)* was incorporated in Singapore in 1935 and opened its first overseas branch in Hong Kong in 1965, a witness to the development of trade between ASEAN and the greater China region. In an interview with *HKTDC Research*, Christine Ip, CEO – Greater China, UOB, said that despite the impact of Covid-19 and the global economic downturn over the past few years, Hong Kong has become an important bridge between ASEAN and GBA companies, a role that is growing in significance. *UOB* aims to connect ASEAN and the GBA by offering customised cross-border financial solutions to clients, using Hong Kong as a financial platform.



ASEAN opportunities attract growing attention

As one of the biggest banks in the ASEAN region, *UOB* has played a role in ASEAN's steady economic growth over the past two years. Because of geopolitical and other factors, companies from western countries and mainland China have become more active in venturing into the ASEAN market, making ASEAN a hot spot of international trade and investment. Commenting on the economic rise of ASEAN, Ip said: "While ASEAN and mainland China are each other's biggest trading partner, ASEAN is also a major destination of investment from mainland China. On the other hand, many ASEAN countries still maintain close cultural, economic and other ties with their former European sovereign states for historical reasons, which is why the ASEAN market is also watched closely by European and other western firms."

The trend for global economic regionalisation has spread in the aftermath of the Covid-19 pandemic. *UOB* has always taken opportunities to expand business in the ASEAN region and made every effort to strengthen its own position there. Ip laid out the scope of the *UOB*'s activities in ASEAN, saying: "We have branches in eight ASEAN countries. To meet our clients' needs for business expansion, we have expanded the scope of our business in Indonesia, Malaysia, Thailand and Vietnam in the last two years, including acquiring the business of other foreign banks in these countries and expanding our business in multiple categories. In retail and online banking, these acquisitions and expansions should allow us to lend further support to the needs of GBA firms looking to expand their business in the ASEAN region, such as paying wages in local currencies or making payments to suppliers. These services and our wholesale banking business complement each other."

Ip explained that *UOB* currently focuses on helping GBA firms gain access to the ASEAN market, saying: "Some Hong Kong companies decided to blaze the trail in the ASEAN region a long time ago and made significant headway in their endeavours. As the cost of production and operation has increased in mainland China in recent years, manpower shortages and recruitment issues have begun to surface, causing an increasing number of GBA firms to consider looking at ASEAN destinations to expand their business."



“UOB established its Foreign Direct Investment (FDI) Advisory Unit in 2011 to provide a one-stop service to companies intending to unfold regional business. We act as the intermediary, matching these companies with ‘old hands’ among our UOB clients and helping them find reliable partners in the ASEAN market to realise their potential. We have seen many success stories. Most of these companies started off by co-operating with ASEAN companies as suppliers and eventually discussed investment collaboration. They may even strike a merger and acquisition deal in the end. The UOB’s FDI Advisory Unit has supported about 4,000 companies in expanding their cross-border business in Asia since 2011.”

Helping clients grasp new trends

Emerging business models and trends are still in full swing despite the huge impact of the Covid-19 pandemic on the global economy. Lockdown measures taken during the pandemic have greatly impacted the supply chains of many trading companies. That has led to companies becoming more concerned about supply chain stability. Many companies are looking to adopt the ‘China plus one’ model by continuing production at their mainland factory while looking for new bases outside China for the supply of raw materials and for production in order to strengthen supply chain resilience and reduce possible supply chain risks. Demonstrating how UOB can help assist them with this, Ip said: “With our huge network and rich knowledge of the local markets, we can help these companies find suitable investment options and reduce their financing costs.”

Another noteworthy new trend is a stronger ESG awareness in society, which has prompted governments in many different countries to draw up new regulations and guidelines, and the ASEAN region is no exception. For example, the *ASEAN Taxonomy Board* released the *ASEAN Taxonomy for Sustainable Finance Version 2* in March 2023. It gives clearer guidelines for different classifications of sustainable finance in different sectors. To help clients comply with the relevant ESG regulations, UOB has created a new post of chief sustainability officer to co-ordinate the ESG business of different departments and ensure that they can cope with the ESG review and approval requirements of different sectors. Clients are offered one-stop compliance services to help them gain access to the ASEAN market. UOB’s future goal is to simplify the sustainable finance application formalities, increase their clients’ ability to practise ESG and support them in their business transformation so they can reduce their carbon emissions and seize new opportunities, create a greater social impact and promote sustainability.

Strengthening ASEAN-GBA connections

When asked how Hong Kong can further consolidate its advantages in this area, Ip emphasised that Hong Kong needs to actively establish closer ties of co-operation between ASEAN and GBA cities on different levels, saying: “The international economic conferences held in Hong Kong each year are hugely influential in the ASEAN region, but more concrete steps need to be taken to get the projects underway and to improve free flow in all respects. For example, Hong Kong could improve its financial regulatory system with GBA cities, reduce regulatory loopholes and fill regulatory gaps, and promote the two-way free flow of funds between the two places. In the ASEAN market, Hong Kong should strengthen multilateral co-operation with ASEAN countries. For example, it should actively develop staggered co-operation with Singapore while maintaining benign competition and creating an all-win situation.”



Ip pointed out that *UOB* is actively strengthening multilateral connections between mainland China, Hong Kong and the ASEAN countries at corporate level, saying: “We provide ‘job swapping’ training opportunities in the mainland, Hong Kong and ASEAN markets for personnel in management positions. We have also created several scholarships for ASEAN university graduates to come to Hong Kong and the mainland on exchange programmes to help establish a talent network that connects all places.”

Ip believes that economic ties between ASEAN and the GBA will become closer in the next few years. Expressing her confidence that bilateral trade and investment between the two will flourish, Ip said: “We reckon mainland China will continue to be the biggest market and source of investment for ASEAN countries, and GBA firms will continue to expand their procurement, production and marketing business in the ASEAN region while Hong Kong continues its important role as a bridge between the two. Following the implementation of the *RCEP*, economic ties will be further enhanced among member states. This is expected to boost ASEAN’s trade and financial development still further. For GBA firms hoping to open up the Southeast Asian market, Hong Kong’s bridging role as the most important corporate treasury centre in the region will become even more indispensable.”

Conclusion

ASEAN continues to be viewed as an ideal trading and investment destination by many GBA enterprises. Its huge consumer markets and preferential economic and trade policies are big advantages and have attracted substantial business investment to the region. Although enterprises must overcome many language and cultural differences, as well as some regulatory barriers, while a shortfall in the availability of local talent is also to be expected, many GBA enterprises remain hugely positive about the ASEAN markets.

At the same time, Hong Kong remains Asia's prime economic and trade hub, while maintaining an impressive array of internal and external connections. Its status has only been further enhanced by its successful integration into China's overall national development strategy and its efforts to strengthen its economic and trade ties with ASEAN countries. With its mature financial infrastructure, rigorous financial regime, excellent business environment and smooth flow of cross-border resources, Hong Kong's continued role as a robust and highly functional trade and investment platform for both the GBA and the ASEAN bloc is all but assured.

Ultimately, Hong Kong functions as a "super value-adder", enhancing and maintaining the trade and investment relationships between the GBA and ASEAN. As an international financial centre and business hub, it possesses a strong financial, legal and business infrastructure, liberal and flexible investment policies and an extensive international network. As such, it is an important gateway for any GBA enterprise going into the ASEAN markets. Enterprises can also start and develop cross-border business using Hong Kong's sound and flexible financial and logistics solutions. In addition, the city can provide comprehensive support when it comes to FDI consulting, ESG, information technology, artificial intelligence, digital marketing, e-commerce and more.

Looking ahead, Hong Kong would be well advised to accelerate its efforts to rebuild and strengthen its connections in the post-pandemic era. It should also foster high value-added collaboration and innovation in order to enhance its attractiveness as a regional business hub, while continuing to facilitate trade and investment development in the region. In addition, it should prioritise recruitment as a means to overcome the problem of talent shortages and implement development strategies that address many of the current geopolitical and regional competition challenges. At the same time, it should take full advantage of its close connections to help GBA enterprises expand into overseas markets. In particular, it should offer appropriate and adequate service support for any GBA enterprise looking to expand into the increasingly important ASEAN market, allowing it to take full advantage of the huge regional development opportunities that are now emerging.

Appendix

From July to September 2023, *HKTDC Research* successfully interviewed 671 enterprises through an online questionnaire survey. These enterprises were headquartered in a GBA city and were either currently engaged in trading, investment or business operations in ASEAN or were planning to expand into the ASEAN markets in the next three years. This survey was designed to gain an understanding of the challenges and difficulties GBA enterprises have encountered in the course of their trading with, investing or operating in ASEAN. It also examined Hong Kong's role and function in facilitating two-way trade and investment between the GBA and ASEAN. In-depth interviews were also conducted with selected enterprises to generate case studies and also analysis. The study covers five major sectors: (1) consumer goods; (2) industrial goods; (3) business, professional and financial services; (4) real estate, hospitality and construction; and (5) technology, media and telecommunications.

▼ Profile of questionnaire survey respondents

Industry	Share
Consumer goods	19.5%
Industrial goods	16.2%
Business, professional and financial services (BPFS)	21.5%
Real estate, hospitality and construction (RHC)	21.5%
Technology, media and telecoms (TMT)	21.3%

Headquarters location	Share
Hong Kong	24.1%
Guangzhou	20.9%
Shenzhen	21.0%
Foshan	14.8%
Dongguan	14.8%
Zhongshan	4.5%

Business footprint in ASEAN	Share
Currently operating in ASEAN	38.9%
Planning to expand into ASEAN in the next 3 years	61.1%

Appendix

No. of staff	Share
< 50	31.6%
51 – 100	29.1%
101 – 500	23.8%
501 – 1,000	5.1%
1,001 – 5,000	5.5%
5,001 – 10,000	1.2%
> 10,000	1.5%
No comment	2.2%

Business revenue in 2022 (US\$)	Share
< 1 million	14.0%
1 – 10 million	37.3%
11 – 100 million	23.5%
101 – 200 million	11.5%
201 – 500 million	0.6%
> 500 million	0.7%
No comment	12.4%

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