

Motion on the “Report of the joint-Panel delegation of the Panel on Economic Development, Panel on Financial Affairs, Panel on Commerce and Industry, and Panel on Information Technology and Broadcasting on its Duty Visit to the Guangdong-Hong Kong-Macao Greater Bay Area”

Carried at the Legislative Council Meeting of 12 December 2018

Progress Report

Purpose

At the Legislative Council meeting held on 12 December 2018, the motion on the “Report of the joint-Panel delegation of the Panel on Economic Development, Panel on Financial Affairs, Panel on Commerce and Industry, and Panel on Information Technology and Broadcasting on its duty visit to the Guangdong-Hong Kong-Macao Greater Bay Area” moved by Hon Jeffrey LAM was carried. The wording of the motion carried is at the [Annex](#).

2. This paper reports on the progress of relevant work.

Progress

Key Areas of the Hong Kong Special Administrative Region Government’s Work in Taking Forward the Development of the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area)

3. The objectives of the development of the Guangdong-Hong Kong-Macao Greater Bay Area are to further deepen cooperation amongst Guangdong, Hong Kong and Macao, and to promote coordinated regional economic development. The Bay Area already possesses the conditions for developing into a world-class city cluster. As long as the three places can fully leverage their complementary advantages, they will be able to raise the global competitiveness of the Bay Area as a whole.

4. The Hong Kong Special Administrative Region (SAR) Government’s work in taking forward the development of the Bay Area has three focuses. First, we are to develop the Greater Bay Area into an international innovation and technology (I&T) hub. The Greater Bay Area’s resources and strengths are prominent in the field of I&T. Hong Kong has a number of world-class universities, tremendous strength in

scientific research, a robust rule of law and intellectual property rights protection system, and so forth. Such strengths stem from Hong Kong's role as an international city, which allows resources for innovation from the Mainland and across the globe to converge. Hong Kong's highly international business environment can, on the one hand, attract international I&T enterprises to enter the Greater Bay Area, and, on the other hand, help Mainland I&T enterprises go global. This would play a key role in developing the Greater Bay Area into an international I&T hub.

5. Second, we are to facilitate the development of sectors in which Hong Kong's strengths lie in the Greater Bay Area, such as healthcare services and education. Not only can we utilise the rich resources in the Greater Bay Area to assist in addressing issues such as land and manpower shortages faced by Hong Kong, but we can also help the Mainland develop new industries and raise the standards of its professional services. There is a market for these sectors in Guangdong Province and both sides can complement one another. If we can make use of the opportunities brought about by the development of the Greater Bay Area through policy innovation and breakthrough, residents of Guangdong Province will be able to enjoy services of higher quality, and sectors in which Hong Kong enjoys strengths will also be able to expand their scope of development.

6. Third, we are to strengthen interconnectivity amongst Greater Bay Area cities through policy innovation and breakthrough. There are two systems and three separate customs territories in the Greater Bay Area. Although the liberalisation of trade has essentially been achieved, there are still restrictions to the flow of people, goods, capital and information within the Greater Bay Area. At the daily living level, Hong Kong residents studying, living and working in the Mainland are still treated differently compared to their Mainland counterparts. This brings inconveniences to Hongkongers living in the Mainland and also makes it harder for Hong Kong enterprises which are expanding in the Mainland to attract talents from Hong Kong to work in the Greater Bay Area. We shall grasp opportunities brought about by the development of the Greater Bay Area, break through existing frameworks, strengthen interconnectivity amongst Greater Bay Area cities, and foster the flow of factors of production, thereby enhancing the flow of people, goods, capital and information between Hong Kong and other cities in the Greater Bay Area.

Development of the Greater Bay Area and "One Country, Two Systems"

7. The Chief Executive pointed out at the first meeting of the leading group for the development of the Guangdong-Hong Kong-Macao Greater Bay Area that Hong Kong is a diverse community and there are worries that the development of the Greater Bay Area may affect the practice and implementation of “one country, two systems”. Nonetheless, as President Xi Jinping mentioned in November 2018 when he met the Hong Kong and Macao delegation in celebration of the 40th anniversary of the reform and opening up of the country, the Greater Bay Area shall be developed under the frameworks of “one country, two systems” and the Basic Law, thereby leveraging the combined strengths of Guangdong, Hong Kong and Macao. The Hong Kong SAR Government believes that “one country, two systems” is a unique characteristic of the Guangdong-Hong Kong-Macao Greater Bay Area, as well as the key foundation for the internationalisation of the Greater Bay Area.

8. At the press conference after 2018’s “two sessions”, Premier Li Keqiang, in response to a question, also clearly stated that the Central Government will continue to observe the principle of “one country, two systems”, under which the people of Hong Kong administer Hong Kong and Hong Kong enjoys a high degree of autonomy; under “one country, two systems”, the Mainland and Hong Kong will draw upon each other’s strengths and work together in building a new and strong region of vibrant growth. As such, Hong Kong’s integration into the development of the Greater Bay Area will enrich the practice of “one country, two systems”, and is conducive to maintaining the long-term prosperity and stability of Hong Kong.

Innovation and Technology

9. Hong Kong’s work on the development of the Greater Bay Area into an international I&T hub has borne fruits. For example, the cross-boundary transfer of science and technology funding of the Central Government to Hong Kong; the signing of a co-operation arrangement with the national Ministry of Science and Technology on fostering I&T co-operation between Hong Kong and the Mainland; confirming that the Chinese Academy of Sciences (CAS) will establish an affiliated institution in Hong Kong with a view to facilitating CAS’ institutes to establish presence in the two research clusters at the Hong Kong Science Park; and establishing the “Greater Bay Area Academician Alliance”, etc.

Trade and Investment

10. The Hong Kong SAR Government seeks to continuously enrich the content of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) with a view to securing better access to the Mainland market for Hong Kong businesses as well as promoting and facilitating trade and investment between the two places. On 14 December 2018, the Mainland and Hong Kong signed the Agreement on Trade in Goods (the Agreement), consolidating and updating the commitments on liberalisation and facilitation of trade in goods under CEPA. Starting from 1 January 2019, the Mainland has fully implemented zero tariff on imported goods of Hong Kong origin. The Agreement helps promote Hong Kong brands, and facilitates Hong Kong traders to open up and develop the huge and promising Mainland market. The Agreement establishes principles of trade facilitation, including stipulation of commitment of the two sides in facilitating trade between the two places, simplifying customs procedures, enhancing transparency of related measures and strengthening co-operation in the relevant areas. In particular, the Agreement has included a dedicated Chapter on “Trade Facilitation Measures in the Guangdong-Hong Kong-Macao Greater Bay Area” agreeing to implement trade facilitation measures in the Greater Bay Area. The measures include publishing periodically the overall customs clearance time for goods, and further shortening the overall customs clearance time for goods to promote the convenient and efficient flow of goods in the Greater Bay Area.

11. At the Mainland and Hong Kong Economic and Trade Co-operation Committee meeting in December 2018, the two sides reached consensus on the working targets for the next phase of liberalisation on trade in services under CEPA, including further opening up the Mainland market to Hong Kong in trade in services; revising the schedule of commitments of the CEPA Agreement on Trade in Services by shortening the existing negative list; and promoting the pilot implementation under CEPA of policies and measures on further services liberalisation in sectors such as finance, education, tourism and culture in the Greater Bay Area. The Government is now discussing with Mainland authorities to consider introducing further liberalisation measures under the CEPA framework. We hope to achieve concrete results in our discussions as soon as possible, so that Hong Kong professionals and enterprises practising, investing and doing business on the Mainland may be able to enjoy national treatment in more sectors.

12. While seeking further liberalisation measures, the Hong Kong SAR Government attaches great importance to the effective

implementation of CEPA. We have been working closely with the Mainland authorities at central, provincial and municipal levels, and have made use of the established mechanisms with the Ministry of Commerce to address and follow up on problems encountered by Hong Kong enterprises and professionals in using CEPA liberalisation measures in the Mainland, including problems encountered at provincial and municipal levels. We will continue to work closely with the Mainland to assist the trade in making better use of CEPA liberalisation measures and gaining access to the Mainland market.

13. On the other hand, in order to facilitate the flow of goods between Hong Kong and the Mainland (including cities in the Greater Bay Area), the Customs and Excise Department will continue to take forward various schemes in collaboration with the Mainland customs, with a view to enhancing cargo clearance efficiency. The Single E-lock Scheme is a case in point¹. In this regard, starting from January 2019, the number of clearance points under the Scheme has been increased from 32 to 51 in the Guangdong Province. There are clearance points in all the seven Mainland cities within the Greater Bay Area, including Zhuhai where such a clearance point is set up for the first time. The expansion in the network of clearance points under the Scheme can enhance cargo clearance efficiency, including cargo shipments which are transhipped through Hong Kong via the Hong Kong-Zhuhai-Macao Bridge, thus complementing the development of the Greater Bay Area.

CEPA and Professional Services

14. The Government will continue to enhance the access of Hong Kong professional services to the Mainland market under the CEPA framework, and proactively consider and seek more liberalisation measures for early and pilot implementation, so as to further the development of Hong Kong professional services in the Greater Bay Area. In particular, in July 2018, the Trade and Industry Department reflected to the Ministry of Commerce Hong Kong trade's concerns about the restrictions on the scope of projects that may be undertaken by Hong Kong construction and engineering enterprises in the Mainland. In November 2018, the State Council promulgated that it has removed, under the framework of CEPA, the restrictions with regard to the scope of projects that may be undertaken by Hong Kong construction and

¹ For inter-modal transshipment cargoes between Hong Kong and Guangdong, the Single E-lock Scheme launched in 2016 can, by way of using technology, reduce repeated inspections on the same shipment by both customs authorities when crossing the boundary, thus streamlining the clearance process and speeding up the cargo flow.

engineering enterprises in the Mainland pilot free trade zones. This measure is a positive response to Hong Kong trade's request to participate in more Mainland construction and related engineering projects. The Government will continue to liaise with the relevant Mainland ministries with a view to extending the implementation of this measure to the whole of the Mainland.

15. With regard to the attainment of professional qualifications on the Mainland, currently eligible Hong Kong residents or relevant professionals may sit for over 40 professional and technical qualification examinations (construction, engineering, legal, accounting, medical and tourism, etc.) in the Mainland through CEPA, in order to obtain the relevant qualification certificates. On the other hand, professional bodies of Hong Kong and relevant regulatory bodies in the Mainland have reached mutual recognition agreements or arrangements for various professional qualifications, including securities and futures, accounting, real estate, as well as general practice surveyors and quantity surveyors under the construction sector.

16. Eligible Hong Kong professionals are allowed to establish enterprises in the Mainland through CEPA. For example, Hong Kong service suppliers are allowed to establish medical institutions in the form of wholly-owned operations in the Mainland; Hong Kong law firms are allowed to operate in association with Mainland law firms in the form of partnership; and Hong Kong professionals who have obtained the Mainland's Class 1 registered architect or Class 1 registered structural engineer qualifications are allowed to set up construction and engineering design offices in the Mainland.

17. Moreover, as part of the Government's support measures on various fronts for Hong Kong's professional services, the Government has been steadfastly taking forward the Professional Services Advancement Support Scheme (PASS). The Scheme seeks to provide funding support for trade and industrial organisations, professional bodies and research institutes to carry out projects aimed at increasing exchanges and co-operation by Hong Kong's professional services with their counterparts in external markets (including the Greater Bay Area), promoting relevant publicity activities and enhancing the standards and external competitiveness of Hong Kong's professional services. We will continue to encourage eligible bodies and organisations to make good use of the Scheme, with a view to promoting the development of Hong Kong's professional services and tapping the business opportunities arising from the Greater Bay Area development.

Tourism

18. The Greater Bay Area is located at the southern part of China and possesses abundant tourism resources, with strong potential to be developed into a world-class tourist destination cluster. Leveraging the opportunities brought about by the commissioning of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, the Government endeavours to deepen collaboration with other cities within the Greater Bay Area and develop multi-destination tourism products for mutual benefits with a view to promoting the tourism development of the Greater Bay Area as a whole.

19. On 12 December 2018, the Government co-organised the Hong Kong International Tourism Convention with the Hong Kong Tourism Board (HKTB) and the Travel Industry Council of Hong Kong (TIC), providing an invaluable platform for over 1 000 participants from the Mainland, Hong Kong, Macao and overseas to exchange views on leveraging the vast tourism potential of the Belt and Road Initiative and the Greater Bay Area development.

20. In addition, the Government has provided funding support to TIC to arrange travel agents to visit cities of the Greater Bay Area to explore business opportunities with the trades thereof. TIC organised three visits in July 2018, November 2018 and January 2019 respectively, covering all Greater Bay Area cities outside Hong Kong. The Government has also funded TIC to develop a web-based resource platform to provide the trade with tourism information of Belt and Road countries and regions as well as the Greater Bay Area cities, such that the trade could develop more diversified tourism products and further expand its source markets. The platform is expected to be launched by phases in 2019.

21. Meanwhile, HKTB will continue to capitalise on the platform of the “Guangdong, Hong Kong & Macau Tourism Marketing Organisation” and step up collaboration with the tourism authorities of Guangdong Province and Macao in building the tourism branding of the Greater Bay Area and jointly promoting to overseas visitors multi-destination itineraries and tourism products that involve Hong Kong.

Creative Industries

22. The Government will continue to, through the CreateSmart Initiative (CSI), support non-film creative industries² in Hong Kong in strengthening the connection, exchanges and cooperation with other regions including the Greater Bay Area through promotional and business matching activities and participation in trade fairs. The Government will also continue to invite cities in the Greater Bay Area to participate in the annual signature events funded by CSI, including the Business of Design Week; and to support the industry to organise more exchange activities similar to the Hong Kong-Shenzhen Design Twin Cities Exhibition and the Hong Kong and Shenzhen Bi-City Biennale of Urbanism\Architecture.

23. Besides, the Hong Kong-Shenzhen Design Innovation Hub (Zetta Bridge, Qianhai Shenzhen) is scheduled for opening in June 2019. The project is industry-led (by the Hong Kong Federation of Design Association (FHKDA)) in Hong Kong. The Government provided funding support to FHKDA for organising promotional and exchange activities in the run-up to the opening of the Hub. Upon the opening of the Hub, the Government will suitably provide funding support to FHKDA as per established practice for promoting sustainable development of and cooperation of the design sectors of Hong Kong and Shenzhen.

24. For the film industry, the Government will continue to, through the Film Development Fund, subsidise the sales and distributions of Cantonese version of Hong Kong films in the Mainland (mainly in the Guangdong Province) and support film productions (including the Mainland-Hong Kong co-productions). We will also continue to collaborate with Greater Bay Area cities and organise film-related activities such as film shows, delegation visits and workshops to facilitate collaboration of film industries in the area.

Finance

25. On financial services, through the development of the Greater Bay Area, we seek to promote more efficient flow of factors of production (in particular, capital) within the region to support the development of real economy. The enormous population size and scale of the Greater Bay Area economy could provide impetus to the development of Hong Kong's financial services sector, and consolidate

² Advertising, architecture, design, digital entertainment, printing and publishing, television and music.

and enhance Hong Kong's position as an international financial centre and the global hub for offshore Renminbi (RMB) business.

26. As such, the Hong Kong SAR Government and the relevant financial regulators have maintained close liaison with the Mainland authorities with a view to exploring and implementing financial cooperation initiatives in the Greater Bay Area, particularly facilitation measures that are closely related to people's livelihood. We have attained initial progress: a Hong Kong e-wallet operator launched a cross-boundary service in October 2018, whereby its Hong Kong users could make mobile payments using their Hong Kong e-wallet at designated Mainland merchants. The operator is gradually extending the service to more Mainland merchants, including physical merchants. As a next step, we will explore measures in relation to simplifying the procedures for Hong Kong residents to open bank account in the Mainland.

27. In terms of fintech, as the first step to promote complementarity among Greater Bay Area cities, in mid-2017 the Hong Kong Monetary Authority (HKMA) entered into two Memoranda of Understanding with the Office of Financial Development Service, the People's Government of Shenzhen Municipality (OFDS) to strengthen fintech collaboration between Shenzhen and Hong Kong, including: (a) in terms of promoting research and application of blockchain, the HKMA is discussing with relevant departments in Mainland the feasibility of enabling banks in Mainland to connect to eTradeConnect³; (b) in terms of talent development, with help from the OFDS, 50 Hong Kong students experienced the fintech ecosystem in Shenzhen by working in eight renowned firms for six weeks in 2018 summer; (c) in terms of fostering exchanges between the two cities, the HKMA and the OFDS jointly organised the Shenzhen-Hong Kong Fintech Award for two consecutive years in 2017 and 2018 to recognise and reward outstanding fintech products and solutions in the two cities. Response from the industry was positive. The Hong Kong Fintech Week 2018 was the first cross-boundary fintech event, with a Shenzhen Day where fintech communities from overseas, Hong Kong and the Mainland were brought together for business exchanges.

28. On insurance, we are pursuing with the relevant Mainland authorities the proposals of enabling Hong Kong insurance companies to

³ eTradeConnect is a DLT-based trade finance platform. It was developed by a consortium of 12 major banks in Hong Kong and launched in October 2018.

set up insurance service centres and facilitating cross-boundary sale of Hong Kong insurance products in the Greater Bay Area through “Insurance Connect”.

Taxation Issues

29. In promoting the development of the Greater Bay Area, we have all along been pursuing with the Central Government the alleviation of tax burden of Hong Kong people working in the Greater Bay Area, with a view to encouraging more Hong Kong people to work there for enhanced talent flow between the two places.

30. Currently, Hengqin of Zhuhai and Qianhai of Shenzhen have preferential policies in place under which financial subsidy is provided by the local governments such that the actual tax burden of Hong Kong people working in the Mainland is largely the same as the tax burden they bear in Hong Kong. We are pleased to note that the People’s Government of Guangdong Province has recently announced a new policy initiative⁴. In taking forward the development of an international science and technology innovation centre in the Greater Bay Area, the nine municipalities of the Pearl River Delta can provide financial subsidy based on individual income tax differential between the Mainland and outside the Mainland, so as to alleviate the tax burden of Hong Kong and Macao talents and overseas high-level talents working in Guangdong regarding their salary income in the Mainland. We hope that this initiative will encourage more cities to provide tax subsidy to Hong Kong people. Apart from that, the Hong Kong SAR Government has reached an agreement in principle with relevant Mainland authorities to provide a special tax arrangement to eligible cross-boundary teachers and researchers. Under such arrangement, eligible visiting teachers and researchers from Hong Kong can enjoy tax exemption in the Mainland for a prescribed period of time.

31. In addition, there were previously concerns from Hong Kong people over the impacts of the newly revised Individual Income Tax Law of the Mainland on them. In this connection, the Regulation on the Implementation of the Individual Income Tax Law of the People’s

⁴ Notice published by the People’s Government of Guangdong Province on “Policies to Further Promote Technological Innovation” – YueFu [2019] No. 1

Republic of China recently published by the Ministry of Finance and the State Administration of Taxation has stipulated that an individual who has no domicile and has resided in the Mainland for an annual aggregate of 183 days or more for less than six consecutive years, may, upon filing records with relevant tax authorities, be exempted from payment of individual income tax with respect of his/her income derived from outside the Mainland and paid by organisations or individuals outside the Mainland. We believe that this arrangement can address the concerns of the majority of Hong Kong people working in the Mainland.

32. Under the framework of the development of the Greater Bay Area, the Hong Kong SAR Government will continue to strive for the provision of more measures that would increase the level of convenience for Hong Kong people working, starting businesses and doing business in the Greater Bay Area, including discussion with relevant Mainland authorities on tax arrangements for Hong Kong people working in the Mainland.

Constitutional and Mainland Affairs Bureau
Innovation and Technology Bureau
Commerce and Economic Development Bureau
Financial Services and the Treasury Bureau
February 2019

**Wording of the Motion on “Report of the joint-Panel delegation of the Panel on Economic Development, Panel on Financial Affairs, Panel on Commerce and Industry, and Panel on Information Technology and Broadcasting on its duty visit to the Guangdong-Hong Kong-Macao Greater Bay Area”
Carried at the Legislative Council Meeting of 12 December 2018**

That this Council notes the Report of the joint-Panel delegation of the Panel on Economic Development, Panel on Financial Affairs, Panel on Commerce and Industry, and Panel on Information Technology and Broadcasting on its duty visit to the Guangdong-Hong Kong-Macao Greater Bay Area from 20 to 22 April 2018.