

# HONG KONG BUSINESS

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WHAT'S IN STORE FOR BRICK  
AND MORTAR RETAIL?

NO CHANGE AT THE TOP FOR  
LOCAL BANK RANKINGS

HONG KONG STILL A KEY  
HUB FOR M&A DEALS

RAISING THE BAR ON PROFIT  
REQUIREMENTS

## THE ARTS ISSUE

INVESTORS, BUYERS AND AUDIENCES ARE  
BACK, BUT SALES ARE STILL DOWN ACROSS  
HONG KONG AND CHINA



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## FROM THE EDITOR



Brighter days seem to be on the horizon as Hong Kong begins to show signs of recovery, evident in the economic growth it recorded in the second quarter as well as the sustained drop in its unemployment rate. Whilst it is much too soon to celebrate, *Hong Kong Business*, for this issue, will provide a peek at how various sectors are faring in bouncing back from the crisis.

Firstly, our cover story from page 24 looks at the state of the arts market in Hong Kong and Greater China. It had a rough time during the first year of the pandemic, with artists and galleries unable to exhibit, and buyers shy to make big acquisitions. But things have turned around this year with the return of the famous Art Basel Hong Kong show in May, albeit in a new hybrid format. An impressive sales result there has many market watchers hopeful of the Greater China market regaining some of its lost market share, but only time will tell.

Another creative industry that caught our journalists' eyes this quarter is the local architecture scene. Our interview with Head of Benoy Hong Kong, Singapore, and Shenzhen Terence Seah highlights just how much this industry has shifted toward sustainability goals, both in Hong Kong and cities around the world. Head to page 30 to read more.

In this issue's rankings, *Hong Kong Business* logs the job casualties of the pandemic in the banking sector, but beyond this, Hong Kong banks are in for a bigger challenge. Find out what hurdles await the industry in the post-pandemic era on pages 20-21.

And also in this issue, we take a closer look at Hong Kong's retail industry in whatever form the new normal takes. Will there still be a place for brick and mortar operations? Flip to page 38 for all the analysis.

Enjoy reading!

7 ce  
Tim Charlton

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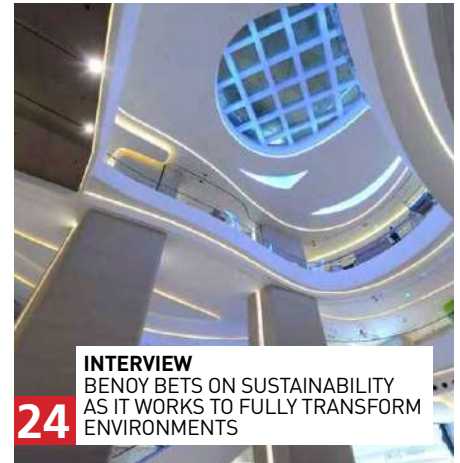




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### MOST READ



#### RESIDENTIAL PROPERTY

##### Residential property deals surge to nine-year high

Residential property transaction volume rose 20% to 21,709 transfers in the second quarter, driven by Hong Kong's economic recovery. This brings the residential transactions in the first half to 39,840, the highest since 2012, Cushman & Wakefield reported.



#### ECONOMY

##### Economy rebounds 7.9% after six quarters of contraction

Hong Kong's GDP expanded by 7.9% year-on-year in real terms in the first quarter, which the Census and Statistics Department linked to the strong performance of external trade during the quarter and the low base of comparison last year.



#### ECONOMY

##### US label requirement on Hong Kong goods deemed "discriminatory"

Hong Kong asserted that the US origin marking requirement on Hong Kong products as "discriminatory" and "unjust." It asked the WTO Dispute Settlement Body to consider its position against the requirement to re-label its products as "Made in China."



#### ECONOMY

##### IMF affirms Hong Kong's "resilient" financial system

The IMF affirmed the resilience of Hong Kong's financial system against severe macro-financial shocks. It recognised its sound policies, ample buffers and strong oversight, but raised macro-financial vulnerabilities in its extensive linkages with Mainland China, amongst others.



#### FINANCIAL SERVICES MARKETS & INVESTING

##### Standard Chartered unit, BC Group to create crypto-exchange platform

Standard Chartered's unit, SC Ventures, partnered with BC Technology Group to create a digital asset brokerage and exchange platform for UK and Europe clients. BC Group's CIO Usman Ahmad will be the CEO; whilst SC Venture's Nick Philpott is the COO.



#### ECONOMY

##### Hong Kong ranks 7th most competitive economy in 2021

Hong Kong fell to 7th in the World Competitiveness Yearbook this year, from 5th place in 2020, which was linked to unprecedented challenges recently. Switzerland emerged as the most competitive globally, followed by Sweden, Denmark, the Netherlands, Singapore, and Norway.

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## HK-SG AIR TRAVEL BUBBLE BURSTS ANEW



Airplanes should now be taking off from Singapore's Changi Airport and landing at Hong Kong International Airport and vice versa, but the scheduled launch of the air travel bubble between the two cities was pushed back again in May.

The air travel bubble was planned to allow passengers to travel between both cities and do away with mandatory quarantine measures.

Talks on the travel arrangement between the Hong Kong and Singapore government started last year, in their bid to revive at least one air travel route and help reduce the impact of the pandemic on an industry considered vital to both economies. The first designated flight was first scheduled for November last year, but was deferred beyond 2020 following the fourth wave of COVID-19 outbreak that hit Hong Kong.

Both governments had agreed to set the air travel bubble re-launch on 26 May, kicking off with a flight coming from Singapore. But this, too, was delayed – this time due to a rise in cases in Singapore.

The Singapore government had declared a Phase 2 (Heightened Alert), imposing stricter anti-epidemic measures between 16 May and 13 June to control the outbreak.

Despite this, both Hong Kong and Singapore remain open to pursuing the travel arrangement, should the two countries' Covid-19 situations permit.

"Both governments remain strongly committed to launching the air travel bubble with a view to resuming air travel between the two regional aviation hubs and international cities in a gradual and orderly manner under a set of stringent public health control protocols," a Hong Kong government spokesperson said on 17 May.

On 10 June, Singapore's Ministry of Transport announced the discussion on any new air travel bubble arrangement would begin in July.



The rent price in Hong Kong is over US\$10,000 monthly on average.

## HK rent "most expensive" for expats

The costs of renting out a place in Hong Kong have dropped as the pandemic prevented business-related travels and overseas assignments. But whilst rents are cheaper, Hong Kong has still maintained its lead as the most expensive location for expats.

Just how much will it cost expats to rent a place in Hong Kong? ECA International said the rent price in the city is over US\$10,000 per month on average.

According to ECA International housing data, the average monthly rental price for an unfurnished, mid-market, three-bedroom apartment in areas frequented by international executives cost US\$10,769, or approximately HK\$83,559.

This already reflected a 5.95% decline, compared to the 2020 average of US\$11,318.

"Hong Kong has seen a rare decrease in rental costs this year, as Covid-19 has lessened the demand for accommodation in the top-tier areas where expatriates would normally reside" Lee Quane,

**The pandemic has had a serious effect on international business in general**



Regional Director – Asia at ECA International, said.

"The pandemic has had a serious effect on international business in general, but more specifically has severely limited the number of overseas workers moving to Hong Kong."

In a separate report, Demographia International Housing Affordability 2021, Hong Kong maintained its post as the "least affordable" out of 92 housing markets across the globe.

Unsurprisingly, Hong Kong is also the most expensive for expats looking for accommodation in Hong Kong for the fourth consecutive year.

Rental cost in Hong Kong slipped by more than 5% not only due to the impact of the pandemic, but also due to the socio-political tensions in the city, coupled with 15-year record-high unemployment rate. But the US\$10,769 average rental cost to expats, according to ECA International, is still more expensive than living in New York and Tokyo.

New York and Tokyo placed second and third in the list, respectively. London came in as the fourth most expensive.

Moreover, the report saw a significant increase in Taipei, Taiwan. The average cost in Taipei rose 5% to US\$4,101 from US\$3,656 in 2020. In contrast, the average rent in Singapore, Thailand and Vietnam have all declined.

Singapore inched down by one place to 26th globally; whilst Bangkok, Thailand and Hanoi Vietnam fell 19 places to 49th and 12 places to 81st, respectively.

Sydney, the only Australian city to make it in the top 50, also fell to number 46. But the biggest fall this year was seen in Istanbul after it plunged 60 places to become only the 116th most expensive city, with an average rental cost of US\$2,441 monthly.

"Turkey continues to battle economic instability and faces an impending financial crisis. There remains a lot of uncertainty in the market and economic policies being tried by the government have ultimately resulted in the local currency dropping against the dollar," Quane said.





The new regime will guard against money laundering and terrorist financing.

## New licensing regime for foreign crypto exchange platforms

Ethereum, Bitcoin and Dogecoin have increasingly been making the headlines as more and more investors wade into cryptocurrencies; but whilst interest continues to grow, much is still unknown about these virtual assets.

Hong Kong's Financial Action Task Force (FATF) defines virtual assets as "a digital representation of value that can be digitally traded or transferred" that can be used for payment or investments. It has time and again flagged that virtual assets that can be exchanged for money pose risks

of money laundering and terrorist financing.

In line with this, the Hong Kong government has moved to set a licensing requirement for virtual asset services providers (VASPs), including companies incorporated outside of Hong Kong.

The Financial Services and the Treasury Bureau (FSTB) of Hong Kong recently announced the conclusion of its public consultation on proposals to improve the city's regulations against money laundering and terrorist financing.



**The Government sees both risks and opportunities from this new trend**

Secretary for Financial Services and the Treasury Christopher Hui said the government had just concluded consultation on the regulatory system for the emerging investment trend, using cryptocurrencies.

"Based on the feedback received, a change is introduced to allow foreign incorporated companies to also obtain a license as a virtual asset services provider in Hong Kong," Hui said during the FinTech Forum at the StartmeupHK Festival.

In the initial version of the proposal, only locally incorporated companies were allowed to apply for a VASP license. The FSTB, however, agreed to change the provision at the recommendation of more than a dozen of the respondents.

The regime sought to impose requirements that will protect investors, prohibit market manipulation, and protect the city against money laundering and terrorist financing.

"The Government sees both risks and opportunities from this new trend, and we are of the view that a proper regulatory system could facilitate development and at the same time protect investors and adhere to international regulatory standards," he said.

Following the public consultation, the government started drafting the amendment bill, which it plans to transmit to the Legislative Council within the 21/22 legislative year.

## THE CHARTIST: HONG KONG'S ULTRA-RICH POPULATION FALLS BY 5.4%

Crazy rich Hong Kongers may be getting fewer, but the city maintains its status as amongst the top 10 territories with the wealthiest populations. Hong Kong's population of "very high net worth" (VHNW) individuals dropped 5.4% to a total of 60,425 individuals, with a total wealth of \$667b in 2020

Despite this, the city held its position as the 8th biggest population of VHNW residents, according to Wealth X's 2021 report.

"In Hong Kong, China's imposition of a new national-security law led to widespread social unrest and diminished the territory's attractiveness as an international business hub," Wealth X advised.

Hong Kong also ranked 8th in 2019 with 63,530, reflecting a 10.5% year-on-year increase; and a total wealth of \$663b.

The city was considered this year's underperformer against its Asian neighbours, particularly, China, Japan, South Korea and Taiwan.

Asia placed second ahead of Europe as its overall VHNW population increased 5.2% to 761,070, raising its collective net worth to \$7.6t. This represents around 29% of the global VHNW wealth.

### Top 10 VHNW cities



Source: WealthX

## HONG KONG SUSTAINS DROP IN JOBLESS RATE



The number of jobless in Hong Kong peaked between December and February when the unemployment rate rose to 7.2%. Data showed that the number of unemployed at the time rose to 261,600 from 253,300 in the previous month.

This was linked to the fourth wave of the COVID-19 outbreak that started in November, but it has since receded. This was evident in the downward trend in the unemployment rate that started in March when it eased to 6.8%.

The jobless rate eased further to 6% between March to May, down from 6.4% recorded between February to April. This is a one-year low, according to the OCBC Treasury Research, which added that the May result beat market expectations.

"The labour market improved further in March - May 2021 amid the economic recovery and receding local epidemic," Secretary of Labour and Welfare Law Chi-kwong said.

"As the economy continues to recover, the pressure on the labour market should gradually ease, especially if the local epidemic remains well contained."

Total employment has risen by around 8,400 to 3.63 million between March to May, whilst the number of unemployed dropped by 14,200 to 233,300.

The underemployment rate, likewise, improved as it decreased to 2.8%.

Moreover, the unemployment rate across economic sectors dropped over the same period. The jobless rate in consumption and tourism-related sectors slipped by 0.5 percentage point to 9.4%.

The improving economy, coupled with the government's vaccination drive, will likely boost hiring, the OCBC Treasury Research said, but could still be weighed down by inbound tourism.

On this note, the bank estimated the overall jobless rate may fall 5% or below in the second half of the year.

## HK is third preferred seat for arbitration

Hong Kong's reputation as an international arbitration hub has been put to the test amidst the political unrest in the city. Despite this however, it has remained resilient. Indeed, it has now emerged as one of the most preferred seats in settling cross-border disputes.

Hong Kong received a score of 50% in the 2021 International Arbitration Survey, conducted by the Queen Mary University of London and the School of International Arbitration.

This placed Hong Kong third, one place higher from its ranking in 2018, during which it scored 28%. In 2015, Hong Kong also ranked third with a score of 22%.

"Our Judiciary is independent and impartial while our common law system provides a degree of certainty and predictability for investors and the international business community," Secretary for Justice Teresa Cheng said in a statement.

She added Hong Kong's strength in arbitration is founded on its infrastructure, business opportunities and pool of talents.

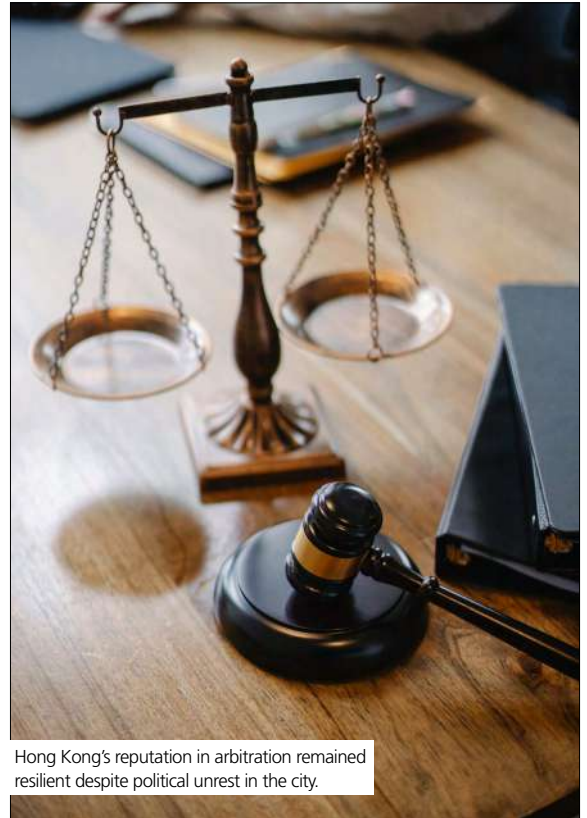
Hong Kong followed London, which for the first time, was joined by Singapore. Both states garnered a score of 54% this year. In 2018, Singapore came in third with 39% and fourth in 2015 with 19%.

Also among the top arbitration hubs were Paris (35%), Geneva (13%), New York (12%), Beijing (12%), Shanghai (8%), Stockholm (6%) and Dubai (5%).

The survey noted the significant gains in Hong Kong and Singapore reflected the growing popularity of Asian arbitral hubs.

"While the 'global powerhouse' seats continue to be popular, there are many regional seats which are growing in reputation and popularity," the arbitration survey read in part.

Hong Kong, along with Singapore and Paris, were all among the top-five most preferred seats in all regions. In Asia-Pacific, particularly, Hong Kong (71%) and Singapore (74%) both surpassed London by 20%.



Hong Kong's reputation in arbitration remained resilient despite political unrest in the city.

Amongst arbitral institutions, the most preferred is the International Court of Arbitration of the International Chamber of Commerce (ICC).

Some 57% of the respondents preferred ICC, whilst 49% favored the Singapore International Arbitration Centre. The Hong Kong International Arbitration Centre (44%), London Court of International Arbitration (39%) and China International Economic and Trade Arbitration Commission (17%) also made it in the top five.

Further, the survey suggested other arbitral hubs to adapt certain policies that would make arbitral seats more attractive. This includes providing greater support for arbitration by local courts and the judiciary.

There should also be an increased neutrality and impartiality of the local and legal system as well as ensuring there is a better track record in enforcing agreements to arbitrate and arbitral awards.

An arbitral seat's ability to enforce decisions of emergency arbitrators, the local court's ability to remotely address arbitral matters and political stability of the jurisdiction are also amongst the considerations.



**The significant gains in Hong Kong and Singapore reflected the growing popularity of Asian arbitral**



# Hong Kong workforce sees lowest average salary increase in over a decade

It is no surprise that companies had to cut back on their expenses in the past year, given the impact of the pandemic on the economy. Some employers did away with paid leaves, others reduced salary or benefits, and some cut back on both aspects of employee costs.

The lucky ones still saw their salaries increase, but the ones that did may have seen the lowest pay hike in years.

In its Hong Kong Executive Salary Outlook 2021 report, KPMG found that only 40% of Hong Kongers saw their salary increase in 2020. Whilst this was lower than the 60% who had anticipated a pay hike, it did not go as a surprise.

In a more recent report, JobsDB found that only 34% of Hong Kong workers received a pay rise, 55% saw no changes in their salaries, whilst 11% suffered pay cuts last year.

JobsDB's 2021 Salary Survey also reported that overall, the average salary adjustment in 2021 only has been +0.4%, lower than the +1.3% salary increment recorded in 2020.

This is also the lowest since JobsDB's Salary Survey in 2008.

Employers had to implement cost-saving policies during the crisis and amongst these policies, the most popular was the adjustment to the calculation or payment method of

commissions and bonuses (19%).

Requiring staff members to take unpaid leave (11%) came in second, and reducing benefits (10%), such as medical and transportation allowance, and salaries (8%) ranked third and fourth, respectively.

Pay cuts were more severe in the hospitality and tourism (-8%), retail sales (-6.4%), and food and beverage (-4%) industries. Meanwhile, those in the digital marketing and e-commerce spaces saw increases of around +3-3.8%.

JobsDB noted that the data also showed job advertisements in tourism, retail sales, food and beverage and customer service also dropped by 26%, forcing workers in said industries to switch careers.

Moreover, changing job functions, according to the survey, did not necessarily result in lower salaries.

Workers with 3-5 years (69%) and 6-10 years (65%) of work experience reported receiving pay increases; whilst 61% of those with ten years of job history saw their salary decrease.

Workers today are also more conservative when it comes to their employment outlook, in light of the economic impact of the pandemic.

"After a tumultuous year, there have been some revealing employment trends in 2021.



The average salary adjustment in 2021 is only +0.4%

Majority of surveyed employees resigned after getting an offer," JobsDB Hong Kong CEO Isaac Shao said.

"Compared to pre-COVID-19 survey's data of 36% resigned before getting a job offer in 2019, we can conclude that employees hold a conservative attitude towards the employment outlook."

Amongst the main reasons why workers are leaving their current job functions include the lack of job opportunities in their original job functions (24%), more attractive career prospects in other job functions (18%) and declining career prospects in their current field (12%).

## COMMERCIAL PROPERTY

# At least 100 buildings in Hong Kong declared to be in danger of depreciating

More than 50% of Grade A and Grade B office buildings in Hong Kong were built over 20 years ago; and with new office supply in the pipeline, around 100 buildings in the city will need upgrading. Otherwise, the properties will run the risk of losing their value in the market.

Property consultancy firm JLL has reported there will be significant new office supply coming into the market, which means that at least 100 buildings need to implement asset enhancement strategies to retain the asset values.

"Without asset enhancement, offices, shopping malls, hotels, residential buildings and industrial facilities will lose relevance due to evolving end-user habits and preferences," JLL said.

JLL's research revealed that rental rates for aged and outdated buildings are between 10% to 40% lower than up-to-date, well-managed properties in similar locations. This marked difference in rates may also increase as newer post-pandemic designed buildings.

The report noted the situation is similar in Asia Pacific as half of investment properties in prime locations are over 20 years old. JLL estimated there is over US\$40b worth of unrealised value in aging and underperforming properties regionally.

Furthermore, in older buildings', energy and maintenance systems are often less efficient, leading to increased operating costs, making a strong case for investors and landlords to reconsider design and asset enhancement strategies for aging properties.

"With COVID-19 changing market dynamics and tenant expectations, many existing buildings no longer yield the same value as before the pandemic. To stay relevant, attract tenants and meet their evolving demands, landlords and investors alike are increasingly aware of the need to enhance their built assets, ranging from design improvements to extensive upgrades, and even repositioning or repurposing the entire property," Andrew Macpherson, head of asset development at JLL Asia Pacific said.



Rental rates for aged buildings are between 10-40% lower than up-to-date buildings



Over US\$40b worth of value is unrealised in aging properties.

## HK STRUGGLES IN PARTS OF CORPORATE GOVERNANCE



Hong Kong needs to make some adjustments in some areas of corporate governance as it continues to struggle in aspects, such as whistleblowing and the extent of its anti-graft enforcement, according to the Asian Corporate Governance Association (ACGA).

In ACGA's 2020 Corporate Governance Watch, Hong Kong maintained its ranking at the second place, which it shared with Singapore. Hong Kong received a slightly higher score of 63.5%, reflecting a 3.5 percentage point increase from its score in 2018.

Despite ranking second, ACGA said Hong Kong is still well below where it should be at this stage.

"At the risk of repeating themes from our last few CG Watch reports, Hong Kong is at its most determined when addressing regulatory and enforcement issues, but loses its nerve when it comes to driving fundamental improvements in company governance," the report read.

"Issuers are treated with kid gloves, especially when it comes to amending the CG Code."

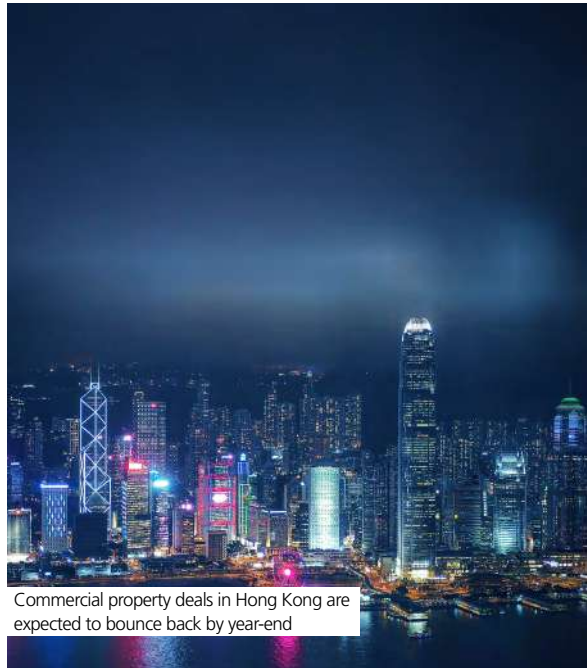
The study observed that even after 20 years of reform, the corporate sector has shown limited willingness to adapt to high governance standards.

"Compliance with the Hong Kong CG Code may be high in a formal sense, yet the cultural mindset among many family businesses is one of conservatism regarding new CG ideas," the study added.

It noted Hong Kong's policies that protect whistleblowers are still limited, unlike the United Kingdom and Australia that have long provided for anonymous reporting and identity protection.

It also lacked cross-border jurisdiction, considering it has no sanctions for bribery outside of Hong Kong.

Meanwhile, ACGA saw improvements by the Hong Kong Monetary Authority (HKMA) on responsible investment and stewardship, which in turn sparked a bit more action among domestic investors. It also lauded HKMA on the creation of an independent audit oversight board that gave a boost to the country's scoring.



Commercial property deals in Hong Kong are expected to bounce back by year-end

## Commercial property deals to beat 2020 levels

The pandemic dampened investment demand in the real estate industry last year, as could be seen in the drop in investment volume for 2020. For this year, the industry is expected to see investment activity in the city to rebound, which will likely be driven largely by private equity.

Cushman & Wakefield projected that real estate investments across Asia Pacific are expected to reach US\$165b, approximately around \$1.29t, in 2021, after declining 29% year-on-year in 2020.

Zeroing in on Hong Kong, commercial property deals are also expected to bounce back to around 80 deals by the end of the year.

"We expect the transaction volume in 2021 will surpass that in 2020, reaching around 80 deals and \$30b by year end," Tom Ko, Cushman & Wakefield's Executive Director, Capital Markets, Hong Kong, told Hong Kong Business.

"That's a transaction volume comparable to 2009, when the market was walking out from the Global Financial Crisis."

In the first quarter of this 2021 alone, Cushman & Wakefield has

**While the market is gaining momentum, the major challenge remains the prevailing travel restrictions**



recorded a total consideration of \$7b, involving 21 commercial real estate transactions with ticket size of at least \$100m.

Ko noted private equity real estate (PERE) funds will be amongst the major drivers in Hong Kong as investors look to deploy their funds after a "muted year in 2020."

He added more capital is expected both from Hong Kong and overseas in the latter part of the year as COVID-19 cases stabilise.

Despite projected increase in investment volumes, however, Cushman & Wakefield sees Hong Kong's commercial real estate market will remain challenged in light of the continuing travel restrictions.

"While the market is gaining momentum, the major challenge remains the prevailing travel restrictions which keep mainland and international investors away from the city," Ko said.

"Meanwhile, economic uncertainty drives polar views on how the CRE market will play out in the near term." He noted the widening price expectations may also be another factor that could halt transactions.

Whilst uncertainty lingers over Hong Kong in the medium term, the property firm sees a promising long-term prospect. The firm has so far seen some institutional developers acquiring en-bloc industrial buildings for redevelopment for residential or commercial use.

Cushman & Wakefield has also received enquiries for data centre opportunities, which Ko said was "not surprising" with the advent of the 5G era.

Moreover, Ko said the firm welcomes the government's new land premium pilot scheme, expected to encourage revitalization of industrial buildings, particularly those in right zonings.

The scheme allows owners of industrial properties built earlier than 1987 to pay a standard land premium rate for lease modifications to facilitate building redevelopment.

"We welcome the pilot scheme as it provides clarity for investment decisions and significant time and cost savings," he said.



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PA21135



# Hong Kong to remain attractive to M&A

Hong Kong remains a key hub for investors looking at mergers and acquisitions throughout the region, as well as other interactions in the company market.

**H**ong Kong followed suit with the global trend in merger and acquisition activity in 2020, beginning with a slow start to the year, and then enjoying a slight rebound in the second half.

In a report, Latham & Watkins noted that Hong Kong was hit with several challenges as the Covid-19 pandemic raged, from logistical difficulties to geopolitical tensions. These have led to longer deal timetables and market uncertainty.

But as parts of the world slowly recover from the pandemic, Simon Cooke, Deputy Managing Partner for Asia of Latham & Watkins, says Hong Kong has the potential to become an M&A hub.

“As the world gradually emerges from Covid-19 pandemic, Hong Kong remains an attractive hub for investors and the firm continues to see a solid appetite for both Greater China and broader regional M&A deals in the market,” Cooke said in an interview with Hong Kong Business.

“Despite a mild slowing of activity in the middle half of last year, both private and public M&A transactions rebounded towards the end of 2020 and this trend has largely continued in the first half of this year, driven partly by private equity funds which have significant amounts of dry powder to deploy on acquisition opportunities.”

Trade tensions between the US and China have made Hong Kong particularly attractive to Chinese companies

**The strength of the equity capital markets in Hong Kong and the US has also provided a genuine exit alternative for many sellers, further supporting the high valuations in the market**



who do not wish to deal with regulatory pressures from the US.

The legislation governing public takeovers in Hong Kong is the Code of Takeovers and Mergers, and is administered by the Securities and Futures Commission, Securities and Futures Ordinance, and Listing Rules.

In 2020, a new legislation called the Limited Partnership Fund Ordinance enabled the formation of limited partnerships to be registered in Hong Kong, to attract private equity and venture capital funds.

“Hong Kong SAR’s merger control legislation currently only applies to M&A transactions that involve an undertaking that directly or indirectly holds a carrier license within the meaning of the Telecommunications Ordinance. The Competition Commission is thought to be reviewing the existing framework of its broader anti-competition regime; however, whether the merger regime will expand to other sectors remains to be seen,” the Latham & Watkins report read.

It added that Hong Kong’s legislation on M&A transactions is still based on English law, as opposed to Mainland China’s civil law regime.

If anything made its mark on how M&A deals were executed last year, it was the pandemic. Cooke noted that it became difficult to conduct on-the-ground due diligence, with potential buyers wary about the impact Covid-19



Hong Kong remains an attractive hub for investors in the M&A and company markets



# FINANCIAL INSIGHT: MERGERS AND ACQUISITIONS



According to PwC, 93 mega-deals were recorded in China in 2020.

would have on their target businesses.

Cooke added that certain sectors, like logistics, data centres and healthcare, have benefited from the disruption surrounding the pandemic. Coupled with the scarcity in high quality assets, valuation expectations of sellers have remained high and auctions competitive.

“The strength of the equity capital markets in Hong Kong and the US has also provided a genuine exit alternative for many sellers, further supporting the high valuations in the market. On a practical level, the global experiment in remote working has also opened up opportunities for new technologies to enhance the deal making process, with electronic signing and online management platforms now considered more the norm than the exception,” Cooke said.

Investors are still cautious as the pandemic continues, but

Hong Kong’s vaccination progress and measures to keep the pandemic at bay helps manage jitters.

“While investors will remain cautious amidst ongoing market uncertainty, the firm sees a continuing strong pipeline of M&A deal flow in Hong Kong in the second half of 2021 as the gradual economic recovery and roll out of worldwide vaccination programmes encourages businesses to reassess their position,” Cooke said.

Hong Kong has been strictly implementing vaccinations and quarantine as the pandemic continues to hit nearby nations.

Whilst it has, along with Mainland China, managed to contain the pandemic so far, the world as a whole has yet to recover from the volatility caused by Covid-19.

China 2020 M&A growth to remain domestic in 2021

According to a PwC report, M&As for China as a whole increased by 30% to US\$733.8b in 2020, the highest since 2016.

Deal values rose by 11%, driven by private equity M&As, offset by a decrease in cross-border deals, which became challenging during the pandemic.

According to PwC, there were 93 mega-deals in 2020, higher than the 80 recorded the year previous.

“China M&A is likely to continue to have a domestic theme in 2021, supported by SOE reform and the ‘Dual Circulation’ and ‘Industrial Upgrade’ programmes. We expect some increase in M&A volumes overall in 2021, largely driven by domestic and private equity (PE) activities,” said PwC Asia Pacific deals leader David Brown.

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# How Statrys focuses on the 'humanisation' of payment platform services

This fintech startup is excited to offer a range of digital solutions, with a unique human touch.



Bertrand Theaud, founder of fintech startup Statrys

Digital payment continues to gain traction, especially as cash usage dropped from 91% in 2019 to 78% in 2020 in Hong Kong, according to the Visa Consumer Payment Attitudes Study 2.0.

More and more businesses are now adapting digital payment methods. These businesses want to enjoy banking services up to their expectations in terms of access to business accounting, pricing, scope of services and customer support, but oftentimes the traditional banks are found lacking in these offers for smaller companies.

This was what Bertrand Theaud, founder of fintech startup Statrys, realized after talks with industry professionals and combining his years of experience in the field.

In an interview with Hong Kong Business, Theaud said that although payment platforms were booming in Europe, they were still not very present in Asia. He then launched

**Statrys is a payment platform that aims to humanise the business payment experience through transparency, removing the mystery of payments and their fees as money moves**



Statrys in 2018 to address these issues, with a goal of combining the digital experience with a human touch.

"The name Statrys comes from the ancient Greek word for currency called Stater. While it's a notably harder name to pronounce, especially in a world where startups prefer a single-syllable naming idea, we find it makes us stand out more to have a name that people mull around in their mind," Theaud said.

Their first challenge when Statrys initially started was finding the right people. Theaud said this will always be an ongoing process, but one that gets better and what he banks on as the company's biggest growth factor.

In simple terms, Statrys is a payment platform that aims to humanise the business payment experience through transparency, removing the mystery of payments and their fees as money moves from A to B.

Customers pay their \$88 account

subscription fee that covers Statrys the costs of regulatory compliance activities to activate and manage their account.

"Our profit making area comes from our competitive transfer fees and foreign exchange fees that are low enough that it would encourage regular usage of our platform for payment of any invoice for businesses of all sizes," Theaud explained.

To keep their customers' trust, Statrys focuses on its complete transparency in pricing and payment fees. Aside from constant upgrades for a smoother user experience, the company also maintains relationships with local institutions and authorities around the globe to help make cross-border payments easier.

These may be some of the reasons why investors have such strong faith with Statrys platform. In November 2020, they raised \$38.85m (USD\$5m) in a Series A funding round from an undisclosed single investor.

The company is currently in the works of deploying the Statrys Payment Card, powered by Mastercard, to clients so they can directly use their Statrys account for online purchases and point-of-sale transactions. Additionally, preparations are already underway in creating a mobile app.

Theaud said that they focus on customer satisfaction by knowing their pain points and addressing them unlike their competitors.

"At Statrys we provide the relief they're looking for as small businesses, instead of the latest and greatest tech. Our vision is to be Asia's go-to payment and forex platform serving SMEs within the next five years. We know tech is not something to eschew either, and with that in mind we want to make sure we supplement our humanizing payment services with the technology that makes it happen," Theaud added.



# Malaysia's sound fundamentals underpin its conducive investment environment

Malaysia recorded a total of US\$19.5 billion worth of approved investments in Q1 2021, a surge of 95.6% from the same period last year. These investments involved 993 projects in the manufacturing, services, and primary sectors and expected to create 32,557 jobs. Meanwhile, Hong Kong, recorded as the fifth-largest FDI approved in this period for overall economic sectors, amounted to US\$73 million.

"This impressive investment performance is a testament of the confidence of foreign investors including Hong Kong firms in Malaysia's economic prospects, strategic location, comprehensive global trade agreements, competitive cost of doing business, multi-faceted talent pool as well as business-friendly policies. Malaysia is committed to continuing to become a preferred destination for high value-added activities and we want to partner with Hong Kong firms in making this country a hub for innovation, hi-tech and future-ready industries. Malaysia also presents an attractive location for Hong Kong manufacturers, including opportunities to tap into virtual manufacturing and Industry 4.0 opportunities," said Arham Abdul Rahman, CEO of the Malaysian Investment Development Authority (MIDA).

Malaysia continues to be a competitive investment destination as it ranked 2nd amongst ASEAN countries and 12th globally in ease of doing business in the World Bank's Doing Business 2020 Report. The DHL Global Connectedness Index (GCI) 2020 also positioned Malaysia 2nd amongst ASEAN countries and 16th out of 169 countries globally for trade connectivity. In addition, a joint study by KPMG and The Manufacturing

Institute in the US titled Cost of Manufacturing Operations around the Globe ranked Malaysia 4th amongst 17 economies, positioning the country ahead of countries in Asia such as China, Japan, Vietnam, and India.

The government of Malaysia has long adopted a business-friendly environment and investment policies to attract businesses and investments from abroad, including Hong Kong.

The foreign companies are allowed to hold 100% equity ownership in the manufacturing

and selected services sectors. The companies are also allowed to repatriate capital, interest, dividends and profits with no restrictions. In addition, Malaysia's Intellectual Property laws are in conformance with international standards and the country has an Investment Guarantee Agreement (IGA) with China since 1988.

Malaysia has also signed 16 Free Trade Agreements (FTAs) and 14 FTAs have been implemented so far. More than 90% of the products are at 0% import duty under these FTAs. Malaysia's participation in the Regional Comprehensive Economic Partnership (RCEP) would also contribute towards this direction which would effectively create a Global Value Chain amongst the 15 RCEP participating countries. This will help re-engineer both demand and supply to boost recovery as well as spurring further growth of economies across the RCEP region.



Arham Abdul Rahman,  
CEO of MIDA



## One Stop Centre for Business Travellers

Malaysia welcomes business travellers to Malaysia whilst keeping everyone safe by introducing a Business Travellers Centre (BTC) at the Kuala Lumpur International Airport (KLIA). The BTC is one of the key components of the One Stop Centre (OSC) initiative by the Malaysian Government to ease the movement of Business Travellers from entry to exit point in Malaysia. The Centre assumes a vital role in ensuring that the Malaysian Government is very 'pro-business' and welcomes the entry of business travellers to carry out business operations amidst the pandemic. Malaysia's Safe Travel portal was also launched on 3 March 2021 which contains information and advisory services to facilitate business travellers' entry into Malaysia. Both Short and Long Term Business Travellers may apply for entry permission through the dedicated portal at <https://safetravel.mida.gov.my>.

## Hong Kong-Malaysia Investment & Trade Corridor Webinar - Connecting your business to Malaysia

MIDA, in collaboration with Standard Chartered Bank, had successfully organised a webinar on 3 June 2021 on the investment opportunities in Malaysia for Hong Kong companies. Mr. Sivasuriyamoorthy Sundara Raja, Deputy Chief Executive Officer of MIDA, delivered a presentation on Malaysia's latest economic development, investment policies and incentives amidst the COVID-19 pandemic. The webinar, attended by over 100 companies from various industries in Hong Kong, gave insights into Malaysia's investment opportunities, such as looking at it as a competitive location to establish their global or regional headquarters. It also introduced the Principal Hub Scheme, where firms can consider setting up a second headquarters to control and support their key functions from one single location. This scheme caters to various business models and has successfully attracted companies from across sectors to establish variations of hubs from 'Digital Tech/ Smart Innovative Hubs', 'R&D Hubs' or 'Centres of Excellence' in Malaysia. The webinar also touched on where Hong Kong companies can explore and establish their Global Trading Hubs in Malaysia with the country's strategic geographical location and the increasing adoption of technology making the supply chain process seamless and efficient.

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# 'Me-First' mindset looks set to drive new consumer trends in Hong Kong, Asia

One example of this is the concept of "Phy-gital reality", a physical and digital experience hybrid, which is now making a big impression among media consumers.

Retailers will need to continually adapt to the changing needs of the modern-day consumer, according to the *Top 10 Global Consumer Trends 2021* study of Euromonitor International. Whilst customers are expected to be more open to going back to shopping in physical stores, the post-pandemic outlook points to a direction where business models will need to be constantly reviewed.

Research Consultant Radhika Singal said that what is fundamentally changing is how consumers are expecting brands to deliver experiences as a go to market strategy across their journey. Coined as the "Me-First" mindset, it recognizes differentiating one brand from others and carving a niche competitive advantage in consumers' minds.

"The face of retail is changing from just buying products and services to consuming experiences whether in-store or online. Experiential selling, retailtainment, personalisation and promoting indulgence will be key to cater to the "Me-First" mindset consumer," she said.

"This includes gamification of marketing activities, live streaming of products and services, and social selling for engagement. Experience economy is nothing new and is a term that has been used for nearly two decades to define experiences such as concerts, festivals, or sporting events," Singal added.

Singal explained that several luxury brands have already

### The face of retail is changing to just buying products and services to consuming experiences

been leaning on experiences as part of their premium aspirational branding strategies even before COVID-19, but the pandemic has proven to be a catalyst to trickle down experiential selling from luxury to high street.

Some activities offered by luxury brands include virtual try-ons, 3D body scanning for more accurate clothes fitting, live streaming fashion shows, and broadcasting appointments from the stores. Now, this is becoming an expectation from every brand in the marketplace.

Another aspect of the Me-First consumer mindset is that consumers are expected to drive their attention to products or services that offer them good value for money.

"The 'Me-First' consumer is conscious of the price value equation," Singal said. "Hence, premium to them may not just mean a higher price tag or better quality, but rather attributes beyond these such as comfort, convenience, social and environmental values, eco-credentials, health and wellness, self-improvement, personalisation, nostalgia, or

uniqueness that an experience creates.

Another trend that is looking set to stay in the new normal is the strategy of implementing "Phy-gital Reality". Singal says this is essentially a hybrid of the physical and virtual worlds, where consumers can seamlessly live, work, shop, and play either in person or online, wherever they choose to be.

"The pandemic really accelerated the use of video conferencing, smart appliances, augmented and virtual reality (AR and VR) try-ons, virtual concierge consultations, or live streaming forming new habits around working, shopping, and exercising which are certainly here to stay for the long run. 2021 will indeed see a continued acceleration of integrating virtual processes in physical spaces to give consumers an avenue to engage from the convenience and comfort of their homes," Singal said.

AR and VR are seen to replicate in-store shopping experience online, while also driving exponential e-commerce growth.

One example is Singapore's home design and furniture company Castlery, which introduced an AR-enabled app in April last year that allows consumers to view store's furniture pieces in their own living spaces to build a virtual home. There is also Decathlon Singapore which launched an in-store Mobile App mid last year completely revamping and digitalising its in-store experience.

According to Singal, there are several such cases in points, even outside of Singapore and Hong Kong, in emerging markets around Asia.

"As per Euromonitor's digital consumer survey 18% of people in Indonesia own a VR headset, compared to the global average of 11%. Such digital tools make 'phygital' a reality," Singal said. "As per the same survey, 35% people in Indonesia have used AR or VR in the past one year against the global average of 22%, either to preview a holiday destination, tour a hotel room, shop for household items or try on makeup.

"It really is a testament to the increasing penetration of such immersive technologies even in the emerging world."



Euromonitor Research Consultant Radhika Singal said that businesses are adapting to changing consumer mindsets.



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# Hong Kong Stock Exchange raises the bar on minimum profit requirements

The regulatory body also plans to keep a watchful eye on malpractices related to Initial Public Offerings.



The HKEX and Securities and Futures Commission also bears down on IPO malpractices

**T**he Hong Kong Stock Exchange (HKEX) has pushed through with an increase in profit requirements for listing eligibility, which will impact small companies applying to be part of Hong Kong's stock market.

Taking effect from 1 January 2022, the profit requirement for listing eligibility will be \$80m, a 60% increase from the previous \$50m. Initially, the HKEX had proposed 100% increase to the profit requirement, but strong opposition from interest groups push back and settled eventually with the \$80m minimum.

**According to a paper by international law firm Linklaters, this has been the first increase to the profit requirement since it was introduced in 1994.**

Additionally, the minimum amount of profit attributable to shareholders will be increased to \$35m in the most recent financial year, from the previous \$20m and \$45m in aggregate over the two preceding financial years.

Any Main Board listing applications (including renewals of previously submitted applications or GEM transfer applications) submitted on or after 1 January 2022 will be assessed under the Revised Profit Requirement and the Revised Profit Spread.

According to a paper by international law firm Linklaters, this has been the first increase to the profit requirement since it was introduced in 1994.

Since the increase in minimum market capitalisation requirement to \$500m in 2018, HKEX noticed a surge in listing applications from small market capitalisation issuers that only managed to fulfil the Market Cap requirements with high historical price-to-earning

ratios.

According to Linklaters, raising the profit requirements seeks to balance the interests of corporate stakeholders whilst also safeguarding investor's interest.

The HKEX says it is prepared to grant relief based on the individual circumstances of each listing applicant, such as companies in early growth stages or those who have been severely affected by the pandemic.

"It will be interesting to see whether the market will witness a big surge of small market cap IPO applicants rushing to file their applications before the implementation of the new profit requirement on 1 January, 2022. We anticipate the regulators will monitor market developments and revisit the profit requirement as necessary," Linklaters said

### Targeting malpractices and investor fraud

The HKEX, together with the Securities and Futures Commission, also released a joint statement, sharing their conclusions to the Main Board Profit Requirement consultation paper.

Both regulatory bodies said they had become aware of initial public offering malpractices from 'ramp-and-dump' schemes, in which stock prices are artificially inflated through false and misleading statements.

There have also been issues with the share placement and price discovery processes. A lack of transparency here had enabled allocations of IPO shares to controlled places that artificially satisfied the initial listing requirements. Further, the two regulators cited instances of unusually high underwriting commissions and listing expenses.

Concerns for malpractices will be addressed by Hong Kong regulators through a more stringent review of each IPO applicant's estimated valuation to ascertain their actual ability to comply with the Market Cap requirements.

HKEX will also heighten scrutiny of a listing application where the regulators have reason to believe that the listing applicant has artificially inflated the offer price to meet the market capitalisation requirements. In such a case, the HKEX will exercise its discretion to reject a listing application if the regulators' concerns are not satisfactorily addressed.

To address perceived allocations to controlled places, the SFC has proposed introducing a regulatory regime to apply greater scrutiny to book-building and placing activities.

The HKEX said that it will enhance its disciplinary power and range of sanctions to impose appropriate consequences when malpractice has been identified, with an emphasis on holding individuals accountable.





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# Will machines take over Hong Kongers' jobs?

Around 56% of Hong Kongers say they are threatened by the rising dependence on automation by local businesses, but analysts say there will also be new opportunities in the coming transition.

**T**echnological advancement has long been feared by workers at risk of being replaced; but the pandemic may have magnified this fear as businesses across all sectors automated their operations.

In Hong Kong, more than half of the workforce are concerned over how automation could impact their jobs. PwC's *Hopes & Fears 2021* report found that 56% of Hong Kongers were worried over automation, higher than the 51% recorded across the Mainland China workforce.

Professions that are likely to be replaced by technology are routine tasks and those that are transactional, but PwC noted this could also open greater opportunities for workers.

"Traditional tasks that require repetitive manual work, or administration work will likely be displaced," Johnny Yu, PwC Mainland China and Hong Kong People and Organisation Consulting Leader, told *Hong Kong Business*.

"Automation and Artificial Intelligence technologies will shift tasks currently performed by high-skill workers to lower-skill ones. . . As companies invest in upskilling to close the skills gap from digitisation of work, it increases demand of skills of jobs requiring creativity, judgement and emotions."

For instance, professionals in industries that require human interaction, such as financial services, sales, marketing, and healthcare, are expected to increase as demand for soft skills grows.

PwC also reported that 41% of workers in Hong Kong expected their jobs would be obsolete in the next five years,

### Opportunities for professionals in industries that require human interaction, such as financial services, sales

compared to 39% average across the globe. Amongst those jobs likely to be impacted are the "know your-customer" compliance duties in financial services, which are likely to gradually evolve into a digital solutions.

To address this growing job insecurity, companies must provide upskilling and reskilling programmes. These will ensure workers are keeping up with the fast-changing technology.

"Job security is tied to a firm's ability to adapt to technology changing the skills required of the workforce, companies are taking key steps to implement reskilling programmes to investing in required infrastructure," Yu said.

"Improving the employee experience on how to deliver learning journeys is also critical to ensure employee needs are being met." He added this should be executed in partnership with the government.

Introducing retraining programmes is a key in closing the digital skills gap and ultimately finding a solution



More than half of the Hong Kong workforce is concerned over how automation could impact their jobs

to the jobs lost because of automation. The good thing about Hong Kongers as seen in the PwC report is their enthusiasm in bridging this gap.

Around 61% of the workforce expressed confidence that they could be "future-ready" through learning new skills or retraining to adapt new technology; whilst 55% are willing to learn, but raised the issue of lacking specific devices and infrastructure.

"It shows a resounding majority of Hong Kong workers want to learn digital skills, and periods of remote working heightened the importance of digital skills as a core skill to compete in the future workforce," said Michael Cheng, PwC Hong Kong Partner, Consulting.

Cheng pointed out the benefits of retraining that the employers could eventually reap as it allows them to retain talent and drive the workforce to be more productive. Under this light, he said reskilling and upskilling should be seen as a "competitive imperative."

Not only does this allow a more skilled workforce, it builds resilience amidst disruptive circumstances, such as the COVID-19 pandemic.

PwC data has shown that some 83% of Hong Kongers are now undertaking training to hone their digital skills, as companies look into which talent and job, they will retain in the next five to ten years.

Companies have also leveled up their game in retraining as more workers report improvement in their digital skills. More than half or 51% have disclosed their digital skills improved during the pandemic, higher than the 36% that had no adequate digital skills at the beginning of the pandemic.

To further strengthen their stance amidst the rapidly digitised era, Cheng said companies should invest in infrastructure to have a more reliable and secure connectivity.

"Investing in infrastructure to support virtual working will be needed, if to allow employees to work flexibly and responsively, and have access to data and collaboration tools that will provide a more seamless and flexible connectivity experience," he said.



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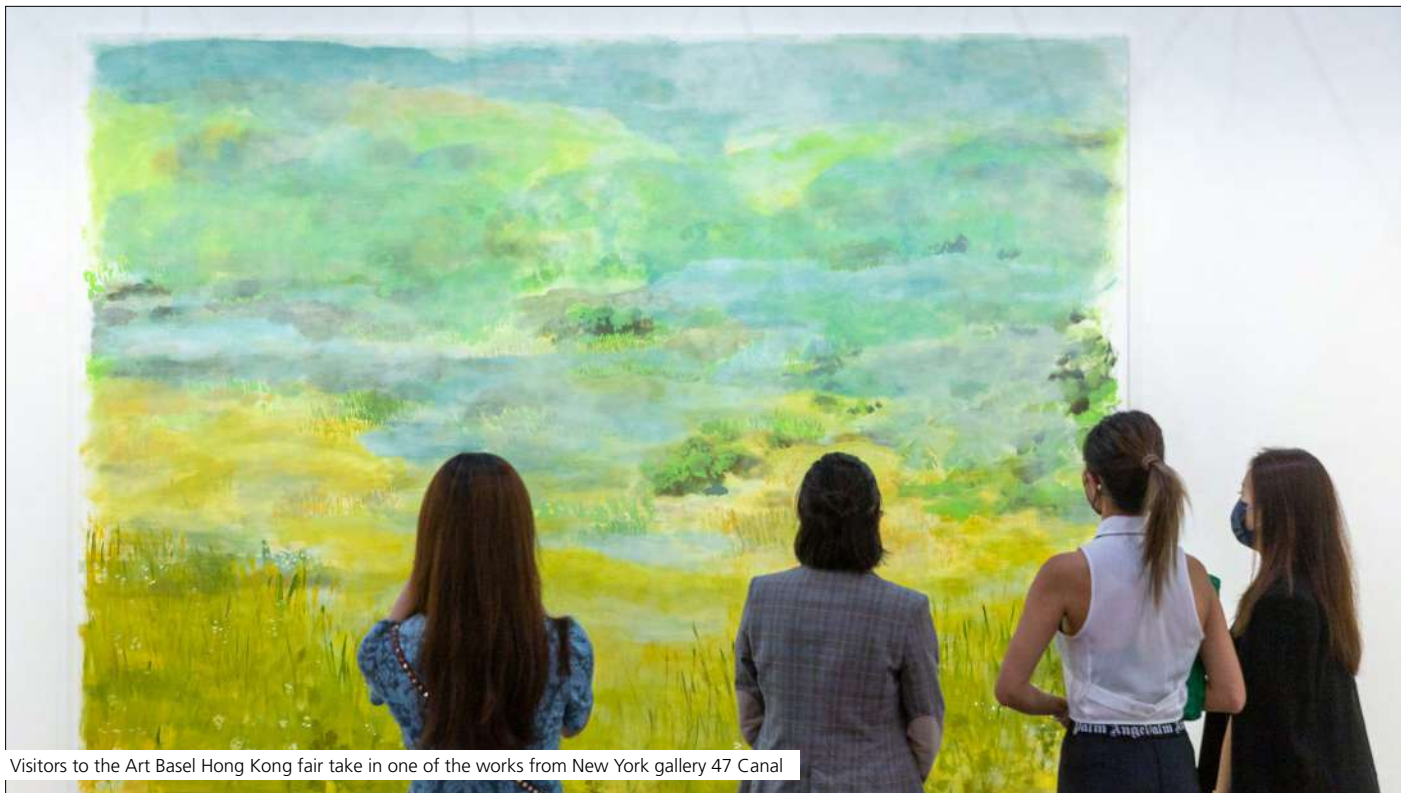
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Visitors to the Art Basel Hong Kong fair take in one of the works from New York gallery 47 Canal

# Art lovers are back in force, but sales are not what they used to be

A hybrid version of Art Basel Hong Kong wowed both live and digital audiences in May, but will it be enough for China to recapture its share of the global market?

**H**ong Kong's art market, in line with that of the entire Greater China region, is back in business after the unexpected, pandemic-related hiatus of 2020. But while attendance and results from the ninth Art Basel Hong Kong indicated a revival of interest and plenty of renewed investment, international data shows Greater China's share of the global art market is continuing to slowly decline.

The five-day event was held at the Hong Kong Convention and Exhibition Centre in May, 2021, after being pushed back from its original schedule of March. Capacity was reduced, but organisers were happy to embrace their own forms of digital transformation to maintain, and even extend, the fair's reach to both audiences and gallery staff.

On the audience side, Art Basel Live ran in parallel with the physical

event, and featured online viewing rooms and live-streamed events and experiences.

Border restrictions and quarantine requirements also meant some gallery owners and artists were not able to attend as they once had done. For this, Art Basel Hong Kong came up with a novel solution. Local staff took over the physical booth duties, while foreign-based representatives were able to speak with buyers and audiences via dedicated teleconferencing stations.

Adeline Ooi, Art Basel's Asia Director said the Hybrid model allowed the event to "bring the exceptional presentations of our galleries and the exciting cultural offerings of Hong Kong to our global network of collectors and patrons, including those who may not be onsite with us in 2021 but nonetheless remain equally engaged from afar".

**Art Basel Hong Kong embraced its own forms of digital transformation to maintain, and even extend, the show's reach to both audiences and gallery staff**



## A hub for deals and acquisitions

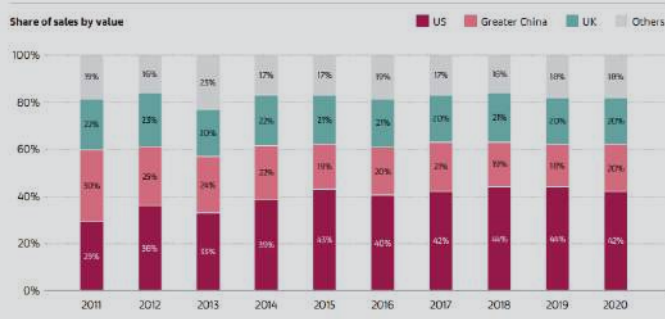
While restrictions meant fewer than half of the usual number of galleries were involved with this year's event, most participants reported strong sales from the event. Works by western artists were again popular, echoing a trend in recent years of Asian collectors competing for major lots by both blue-chip and emerging artists from the US and Europe.

"The tastes of collectors in Asia have diversified a whole lot," Ooi told the media during the Arts Basel event. "There will be those who will continue to collect in a very systematic manner, who are very Asia-focused or have a specific medium focus, and will continue to collect in that vein."

But she added that the pandemic meant that most buyers had more than a year between fairs to do their research. "So collectors who



## Global Art Market Share of the US, UK, and Greater China 2011–2020



Source: The Art Market Report 2021, by Art Basel and UBS Global

The return of art fairs around the world has many in the arts world hopeful of a return to positive growth figures



authors of the 2021 report, says the fall in sales was inevitable, but there have also been opportunities found throughout the global market. “The crisis also provided the impetus for change and restructuring, the most fundamental shift being the rollout of digital strategies and online sales, which had lagged behind other industries up to now,” she said. “The art trade showed incredible resilience in how it adapted to some of the new realities, and although businesses are still figuring out how to balance the new more online-based market with the shared experience and excitement of offline sales and events, few see these shifts as transient.”

### The Greater China region: three years in decline

While Greater China now stands above the UK as the second largest regional art market, there are still concerns for the sustainability of that demand. The Chinese market previously led the UK between 2010 and 2014, but several issues - including the trade wars with the US and slowing economic growth - have left buyers cautious and also reduced the quantity and quality of new works being produced in the Greater China region.

Sales in Greater China last year were 49% lower than their level a decade earlier when, at the height of its boom in 2011, values totaled \$19.5 billion. However, this was followed by a sharp contraction of 30% in 2012 and a period of stagnant growth to 2016.

normally won't look at a particular type of work are beginning to venture into new territories.”

Henriette Tsui-Leung, founder of Ora-Ora in Hong Kong, says the show brought a strong contingent of “serious” collectors who were able to select strategically. “It has been yet another successful show with good sales made,” she said. “We met many collectors over the week and it's been great to see how they have become even more open-minded due to additional time over the past year for deeper research. There have also been a number of younger collectors who have become increasingly confident in their tastes and buying.”

Fabio Rossi, who founded and directs the Rossi & Rossi galleries in London and Hong Kong, also had a positive experience, and said a collaboration with the Silverlens gallery from Manila made “numerous” sales to mostly new clients. “There has been a great response from the audience that was obviously craving for such a live event,” he added.

### Global market responding

The return of art fairs around the world has many in the arts world hopeful of a return to positive growth figures for the global industry. Certainly, the above anecdotal accounts point to renewed interest, and an increased appetite for creative works, but analysts are quick to point out that this comes from a low base that was already in decline even before the pandemic.

The *Art Market Report 2021*, by Art Basel and UBS Global, shows that the global art and antiquities

market was worth US\$50.1b in 2020, down 22% on 2019 figures. The report notes that the drop-off could have been even larger were it not for the increase in online arts sales during last year's lockdown affected market - these more than doubled to be worth US\$12.4b (or just under a quarter of the total market).

As in previous years, the vast majority of sales (87%) took place in one of the three main hubs: the US, UK, and Greater China. Each of these faced downward sales trends last year, but it was Greater China that proved the most resilient. Its 10% fall in sales to US\$10b was the lowest decline of the three, compared to the UK, which fell 22% to drop below Greater China to US\$9.9b. The US market devalued by 24% to be worth US\$21.3b at the end of 2020.

Clare McAndrew, the founder of Arts Economics and one of the



Visitors were welcomed back to the Art Basel Hong Kong fair in May, 2021. Courtesy Art Basel

# Benoy bets on sustainability as it works to fully transform environments

The head of the international architecture firm in Hong Kong says redevelopment projects today must have clear social benefits that create value for the wider community.

International architecture firm Benoy has been involved in some of the biggest projects and landmarks around the globe. In Singapore, Changi Airport Terminal 4 (T4) has set a new global benchmark for the modern airport environment since it opened in 2018. Within two years, it won numerous design awards and received multiple five-star ratings from Skytrax.

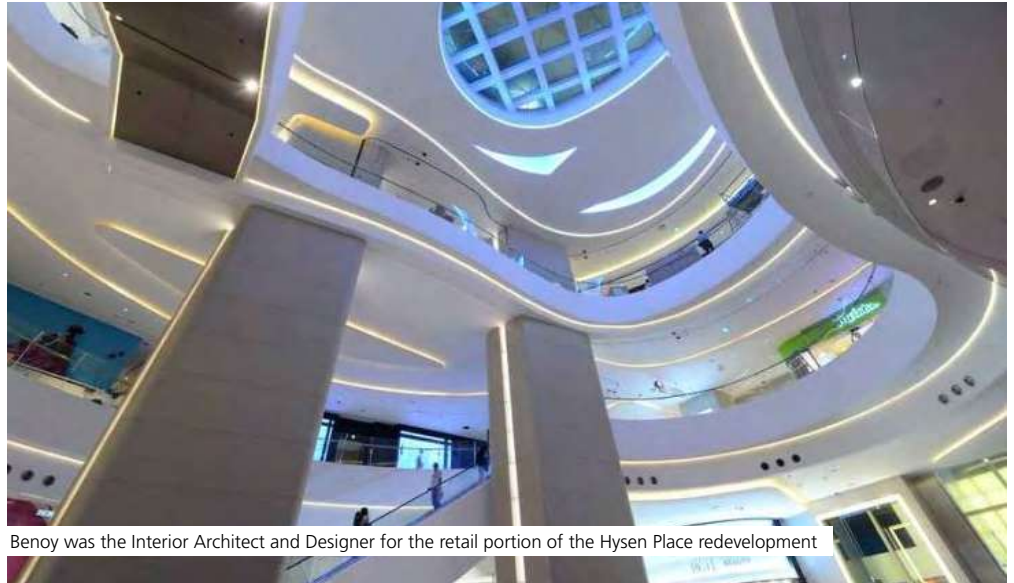
Meanwhile, Jewel Changi, which opened in April 2019, is an internationally award-winning 37,000 sqm gateway and lifestyle destination that features an indoor forest valley and majestic waterfall.

For Jewel, Benoy formed part of a world-class consortium led by CapitaLand, with Safdie Architects as lead architect. Involved in the retail interior design and retail and aviation facility planning, Benoy created a unique and dynamic interior retail environment covering 137,000 square meters of retail, hospitality, dining and leisure spaces including lounges, a hotel and a cinema. It also contains 280 units over six levels; including flagship F&B and retail or brands unique to Singapore.

Familiar malls and tourist favorites in other parts of the world are also included in Benoy's portfolio. In Japan's top shopping district, the Shibuya PARCO store that opened in November 2019 is a redevelopment of the department store that launched in 1973.

According to Benoy, the refurbishment brief included design for a total built area of 64,000 square meters, with 42,000 square meters of retail space spread across 11 storeys consisting of high-end shops, F&B, experiential attractions, theatres and cinemas.

Over at Sanya CDF Mall



Benoy was the Interior Architect and Designer for the retail portion of the Hysen Place redevelopment

**Redevelopment projects should take both the commercial value and the impact they will bring to the local community**



Phase II in China, the mixed-use commercial project became the first and only development of this type in Hainan province.

Similarly, David Jones Elizabeth Street flagship store in Sydney's Hyde Park District was rejuvenated by Benoy to keep its experiential luxury retail environment which first launched in 1927, whilst in Bangkok, Thailand they designed Icon Siam as a place that will be able to showcase the Chao Phraya River while integrating the shopping experience that the city is well known for.

Head of Benoy Hong Kong, Singapore, and Shenzhen Terence Seah said that taking into consideration both the commercial value and the impact each project will bring the local community, they aim to provide mutual benefit in building these developments.

"In these retail developments, we further blurred the boundary between shops and common public areas, altering the psychology of shopping. We transformed dull leftover public

spaces into experiential zones where both permanent and ad-hoc events could take place," he said.

"We've also been working on a couple of experiential retail destinations in Bangkok and quite interestingly, a lot of these look at the existing communities. We look at how we can find ways to positively impact it and bring commercial value, but at the same time to kind of stitch the community and bring mutual benefit for the development," he added.

Seah shared that the architecture firm is currently part of the upcoming projects in Alibaba Jiangsu Headquarters, Nanjing, China and Mimosa Filinvest Lifemalls, Clark City, Philippines. The Alibaba Jiangsu Headquarters has a total investment value of over CNY 8 billion, and is designed to accommodate 30,000 people. It is a major mixed-use development with a gross floor area of 850,000 square metres.

It is described as a benchmark for mixed-use smart city projects.





Mimosa Filinvest Lifemalls in Clark City, Philippines

Likened to a network that can connect people, places, data, and experiences, its architecture facilitates the reduction of CO2 emissions by integrating its logistics processes.

Meanwhile, Mimosa Filinvest Malls is a former military base being developed into a new leisure destination. Taking inspiration primarily from its natural surroundings and Mimosa trees, the mall will have three zones: Mimosa Avenues, Hanging Gardens, and The Treetops.

Envisioned as a 'village in the park', the mall centers on having natural light, open air streets, and an elevated treetop walkway that will directly connect the buyers to lush landscapes.

The architectural firm said that Mimosa aims to create spaces for people and community that will promote interaction, health and well-being, and happiness through the introduction and improvement of the existing amenities and open community spaces.

"In a way, we were not only interested in the idea that the building needs to be sustainable from an ecological point of view, or whether it contributes to energy consumption and comfort, but also from a social aspect. How do we get that design from a human and a communal kind of perspective?" he said.

## Sustainable by default

For Deborah Nagan, Global Sustainability Lead for Hanley

House, the parent company of Benoy, work will be business as usual post-COVID, but in a more conscious manner.

"With so much slowing down and stopping, I think we've all been more sustainable by default. One of the positive effects of the pandemic is the sense that we all need to be healthy, and for humans to be healthy, we have to have a healthy planet. Every very little thing we do has an impact on that," she said.

"So I suspect that as we return to what's going to be called business as usual, in a way, is not business as usual. We're all trying to do a little bit better here and make sure that we and our families are healthier," she added.

As designers, Nagan said that their role goes beyond simply implementing what the client

One of the positive effects of the pandemic is the sense that we all need to be healthy, and for humans to be healthy, we have to have a healthy planet



requires. In the changing times, especially in the new normal and considering our current climate, there is a need to be more environmentally conscious. By integrating these aspects together, Benoy aims to bring a difference through their designs.

"I think we really can help. One of the things that we are doing quite closely now is looking at what people actually do. It requires behavioral change in individuals, as much as it requires us working in real estate and property to change the way we make projects," she said.

Illustrating as an example the use of the air conditioning in commercial spaces, the pandemic introduced changes which made people accept necessary shifts to be more conscious of the energy being used and behavior in general.

"We have become conditioned prior to the pandemic to have nice, cool interiors, really ramping that temperature down when in fact, it's not terribly helpful. It not only uses more power," she said.

"Rethinking our behavior, slightly turning the temperature gauge in the other direction for once, this is one of the biggest changes we can make to our energy consumption, consumption in buildings and across large cities where air conditioning is in use 24 hours a day. That is a massive saving in energy," she added.



Sanya CDF Mall, Hainan, China

# INTERVIEW: **BENOY ARCHITECTURE**



## Societal shift

More than listening to reports and upcoming plans of shifting to the idea of going to the physical office only on certain workdays, Nagan thinks that it is better for designers to be more flexible and adaptive to the different possible changes that might happen with work spaces.

“I think that we are capable of making the right choices. Similarly, you can see developers saying people aren’t going to go to the office all the time. Let’s not plan for that future. Let’s plan for a future where we’re flexible people more capable of making up our own minds about where and how we work, and no less productive for it,” she said.

“That puts power back in the hands of the individual and the business before it has to be told what to do within a regulatory or a government framework, and I think that’s a very, very interesting shift in societal thinking,” she added.

Benoy sees a shift to a more flexible working style, not just for offices but also for the employees. Some may opt to have both remote and physical options for work, whilst some may prefer to have a new model altogether such as moving into collaborative or shared spaces.

Nagan is hoping that there will be more sharing of resources within spaces, such as having common kitchens and lifts.

“There’s a trend that we haven’t really heard much about yet. As

businesses are trying to slim down the amount of office space they use, what I’m hoping for is that we also see more sharing of resources. We don’t all need our own office with our own kitchens, or our own lifts and our own admin infrastructure,” she said.

“I think the future for shared workspaces, and a more collaborative form of working, actually looks quite bright. We like to create the circumstances where people come together then the next great technological idea is born through that chance encounter. Flexible working opens up a world of rethinking because you are working in a more unexpected way, a more agile way and with people you may not come into contact with before. So I’m very hopeful about flexible working,” she added.

Value of good design

There is good in being more sustainable in design. Financial incentives such as green loans are available to encourage more sustainable constructions and designs. Seah shared this is attainable by looking into the social and environmental value of having good designs.

“You have things like green loans, which is very interesting. Understanding the value, which is often not captured purely from a financial instrument, is kind of an analysis about the social value, the environmental value of good design,” he said.

**Benoy sees a shift to a more flexible working style, not just for offices but also for the employees**

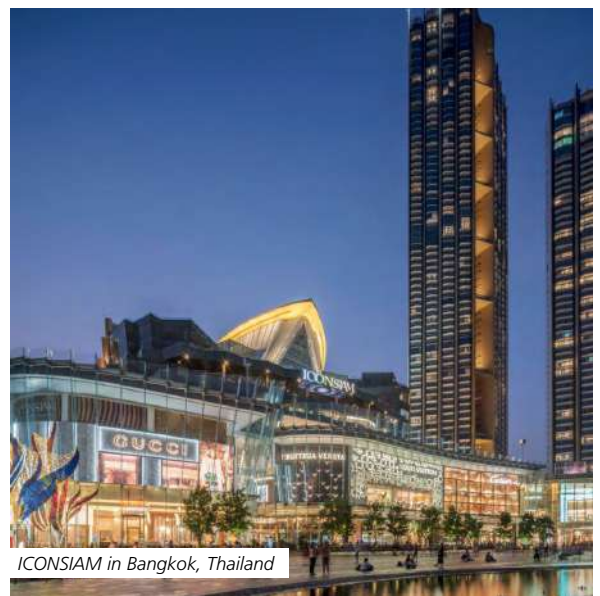


In Benoy’s decades of designing commercial spots and destinations, the firm has grown to know that it is important to factor in the good practices when creating new projects. They have been able to build long-lasting structures which people still go to and visit even years after it has launched.

By putting into consideration the economic, social, and environmental values in design, they are able to create memorable and sustainable destinations.

“We’ve been examining what we’ve been doing for over 70 years and the last 21 years in Asia. I think what we recognize is we are always able to create places. We call them destinations but really they are places that people all love. People just want to come back every time and they’re also incredibly successful commercially,” he said.

“What we discover is these spaces are a little bit like a social glue. So, what we think is very important is to really objectify that kind of relationship with real estate which needs to have economic value. With social value as well as the environmental value, when you look at all three in a kind of holistic way and how it works with each other, will produce these kinds of places that are always very enduring,” he added.





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# EPIC GROUP: The relentless drive for continuously improving Processes, People, and Planet

The company won in the Apparel category at the recently concluded Designed in Hong Kong Awards



For over 50 years, Epic Group has been a key player in the apparel industry - first as a major textile trading house, then as a leader in sourcing quality fabrics, and since 2005 as a state-of-the-art manufacturing company with facilities in Bangladesh, Jordan, Vietnam, and Ethiopia. We are dedicated to seeking out ever higher standards in everything we do, from world-class apparel manufacturing and design services to innovative machinery that enables us to reach increasingly better environmental sustainability targets. By combining speed, efficiency, technology, design, and innovation we meet ever-changing market trends and our customers' demands with unfailing reliability. Our services include cutting-edge design studios in New York, London, and Hong Kong to help turn your fashion ideas into a manufacturing reality, plus other value-added services. Over the decades we have built up a solid and loyal, international, customer base founded on our commitment to partnerships, mutual trust, and professional respect.

## PROCESSES:

We are undertaking transformational

initiatives by creating factories of the future and an advanced warehouse; supplemented by sustainable practices.

To turn your fashion concepts into a physical reality, we use tools such as V-stitcher and Lotta to provide digital designs on-site, plus designers on hand who can work with you in real-time to make any pattern changes on the spot. We also have best-in-class digital technology to enable Digital Sampling and Approval. This near-life-like digital innovation also enables us to reduce the carbon footprint of rounds of physical samples that are traditionally shipped globally. By making sampling more

digital, we can speed up approval times and do our bit for the environment.

Our micro-factories, located in Dhaka, Bangladesh, and Hawassa, Ethiopia, are agile production facilities with shorter production lines, multi-skilled operators, and advanced technology in terms of equipment and digitalization. Keeping up with Industry 4.0 trends, our operations are supported by the latest digital innovations. Productivity improves through real-time data collection and automation, which enables us to pursue our quest for continuous improvement. Our sustainable endeavors cover measurable reduction of waste, chemicals, green-house-gases, energy, and water usage. These facilities will be fully operational by 2022.

## PEOPLE:

Based out of factories in Asia and Africa, or offices in Europe and the USA our people work tirelessly to artfully create the beautiful apparel that we supply to our renowned customers every day. With nearly 30,000 people, their diversity, strength, and passion for excellence put Epic Group at the forefront of cutting-edge innovation in every function of the organization. People perform better when they feel empowered, so we help our people grow through technical & leadership upskilling programs, financial autonomy (mobile banking), and carefully guided career progression. Our Workers' Council offers a solid infrastructure for everyone to voice their opinion within the organization.



**We are dedicated to seeking higher standards from world-class apparel manufacturing and design services to innovative machinery that enables us to reach increasingly better environmental sustainability targets**



One of our key drives is to empower women from all cultural backgrounds to develop the confidence to go into leadership roles. We teach both the soft and technical skills needed and in collaboration with BRAC Bangladesh we run Supervisor and Associates programs which this year alone is helping 540 women ascend the career ladder. We also collaborate with brand partners in some of these initiatives. We target to have 100% female middle management over the next three years. Our in-house development institute EPIC University in Bangladesh consists of 3 fully digitized classrooms accommodating up to 120 participants, plus a fully equipped physical fitness center. For us, responsible manufacturing is not a just goal but a continuous journey into ever-improving practices and products.

## PLANET

EPIC is committed to modify its existing facilities and sustainably develop new facilities. We want to address the economic, environmental, and social equation while avoiding the overconsumption of key natural resources. We aspire to achieve growth and ensure immediate as well as long-term prosperity through sustainable manufacturing practices. Thereby, securing healthy prosperity for current and future generations. In partnership with Arvind Envisol, we are upgrading our Effluent Treatment Plants in 3 of our manufacturing hubs in Bangladesh, to meet the Zero Discharge of Hazardous Chemical (ZDHC) goal. It will have progressive and aspirational discharge standards and the use of up to



50% recycled water for the process. We are planning to install solar panels in our Bangladesh facilities. This will result in reduced emission of tons of CO<sub>2</sub> per year. We are also establishing a comprehensive chemical management system aiming at eliminating all risky chemicals

## Recognizing its Management and Innovation Excellence

Last year, Epic Group was honored with two important accolades by the Hong Kong Business Awards in the apparel category. For chairman Ranjan Mahtani as "Executive of the Year" and EPIC design team for the best "Designed in Hong Kong" award for a number of product design innovations. The winners were judged by an elite panel that included partners from Deloitte, EY, KPMG, and PwC. Ranjan Mahtani credited

the incredible delivery of the entire design, production, and supply chain. He added that it exemplifies EPIC's core motivation of going "above and beyond".



## RANKINGS: HONG KONG BANKS

# Hong Kong banks gear up ESG drive as post-COVID era dawns

The total combined headcount across 18 banks in the Special Administrative Region is down 2,000 from just 12 months ago.

More than a year after the pandemic first began, its effect on Hong Kong banks' headcounts has finally been reflected in its 2021 bank rankings, with over 2,100 workers in the industry displaced. But whilst the crisis is finally winding down as vaccines are rolled out across the city, banks—both local and foreign—face a new type of challenge: navigating the growing preference for sustainability, whose importance has been further highlighted in the past year as COVID-19 raged worldwide.

*Hong Kong Business'* 2021 edition of its Annual Bank Rankings sees Hong Kong and Shanghai Banking Corporation (HSBC) maintain its lead with an estimated 29,000 employees in the city—albeit 2,000 employees fewer than last year. This may be partly due to the bank's earlier announced plans to lay-off 35,000 employees. Whilst the February 2020 plan was momentarily frozen during the height of the pandemic, CEO Noel Quinn has indicated the resumption of staff cuts began again in June 2020.

The next nine banks after HSBC

**COVID-19 has shone a bright spotlight on societal issues – the 'S' of ESG**



remained unchanged in rank. Bank of China (Hong Kong) maintained its second spot, and as of 31 December 2020 employed 12,557 staff—slightly lower than in 2020, when it had 12,592 employees in the city. Hang Seng Bank's headcount shrunk by 634, to total 7,881 employees at the end of last year; whilst Standard Chartered's estimated number of employees in Hong Kong was 500 lower than in the 2020 rankings.

In contrast, the city's fifth and sixth-largest banks in terms of headcount—The Bank of East Asia (BEA) and Citi Hong Kong—both expanded their numbers. BEA's total workforce inched up to 5,576; whilst Citi gained about 100 new employees.

Overall, the total number of people employed across 18 banks in Hong Kong decreased to 89,511 as of 31 December 2020. This is 2.31% or 2,161 lower than the total number of employees of the 18 banks based on data from the prior rankings list. Decreases in the headcount numbers of those in the Top Four were offset by expansions of banks below them, notably Shanghai Commercial Bank

and Public Bank.

Shanghai Commercial Bank recorded the biggest rise in rank, jumping two places up to claim the 13th spot. The bank gained over 260 new employees as of end-2020, enabling it to edge past Chong Hing Bank and CWB Wing Lung Bank. Meanwhile, Public Bank gained the most number of employees since its numbers were last updated in 2019. The bank now employs over 1,300 people in the city, with almost 800 new people added.

The smallest bank featured on the list, Tai Sang Bank, stands strong despite the 2020 maelstrom and more or less maintained its crew of about 30 employees (34 if counting those from its subsidiaries, as indicated in its annual report). The bank is known for operating only a single branch and for not offering any digital or ATM services, according to local media reports. Instead, the bank says it focuses on the quality over quantity of its services, and on building up a strong customer relationship with its clients. But even the physical branch-reliant bank served a digital upgrade amidst a time of lockdowns and continuous social distancing: a new and improved website.

### The ESG agenda

The importance of environmental, social, and governance (ESG) agenda has only been amplified through COVID-19, with banks having a critically important role to play in providing essential support to their customers, businesses, and their staff, professional services firm KPMG noted in a report.

"COVID-19 has shone a bright spotlight on societal issues – the 'S' of ESG," KPMG wrote. "It has heightened the relevance of existing social challenges: access to healthcare, financial security, financial inclusion, and issues of social justice and equality," the report added.

Hong Kong's banking industry has not been spared from growing calls for ESG accountability, and local authorities and banks have responded, with a particular focus on the "environment" aspect. The Hong Kong Monetary Authority (HKMA)



With ESG's importance highlighted by the pandemic, banks also ramped up their sustainability initiatives. (Source: Daniel Fung)



# RANKINGS: HONG KONG BANKS



Sustainable finance is at the heart of the future of banking (Source: BlackAkaliko)

set-out a three-phased approach to promote green and sustainable banking in the financial center, with the latest set of actions released in December 2020.

Banks are not to be left behind. Citi Hong Kong recently facilitated over US\$23.5b equivalent in ESG debt financing in Asia so far in 2021, Citi spokesperson James Griffiths shared to Asian Banking & Finance. Over the same first five months of the year in 2020, this amount was just over US\$4.5b. In part due to the strong response, Citibank globally has raised its combined current environmental finance target from \$250b by 2025 to \$500b by 2030.

## Local ESG interest on the rise

The strong take-up of ESG-compliant financing reflects not just Citi ramping up its related financing services, but also a growth in interest for this type of financing from companies and individuals in the Asia Pacific region.

Interest for ESG compliant financial products is also being supported by the local government. Recently, Hong Kong SAR released a \$2.5b green bond, following the city's net-zero pledge, and Citi served as one of the bond's bookrunners.

Local-based Hang Seng Bank established an ESG Steering Committee in 2020, chaired by the CEO, along with four supporting Working Groups (ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure), to further sharpen its sustainability focus with high-level management

oversight and further integrate ESG considerations into their business and operations.

"We are broadening the variety of our products and services in line with our ESG priorities – in particular, we are stepping up our activity in the area of sustainable finance," a Hang Seng Bank spokesperson told ABF, sharing that the bank's commercial banking arm has set up a new designated green financing team and is offering all-round green financing solutions to its customers, from large corporates to small and medium enterprises (SMEs).

The two banks are not just transforming their services to be more ESG-compliant, but also their own operations. Citi Hong Kong recently installed 360 solar panels in Citi Tower (see page 44). Hang Seng Bank is also currently installing solar panels at Hang Seng 113 and has revamped its ESG disclosure by committing to TCFD standards and revamping its website to make its progress more transparent to the general public.

## The future of work

Awareness for ESG isn't just the only major change accelerated by the pandemic: a new way of working may also be here to stay.

During the pandemic, 85% of Hang Seng Bank's back-office staff worked from home. Moving forward, the bank spokesperson told ABF that they plan to "continue to build on these agile ways of working in other aspects of our operations."

"The COVID-19 experience has

**Product and service innovations, marketing initiatives and even 'strategy' are easily reproduced. Corporate culture is not.**



exposed the weaknesses of rigidly hierarchal corporate cultures that are still common in many businesses and this may prompt an acceleration in rethinking corporate structures and the transformation of internal cultures to give employees more agency to try new ideas, challenge existing processes, take decisions and make greater contributions to business success," a Hang Seng Bank spokesperson said regarding changes in workplace attitudes and cultures in the near-future.

"A high-performing culture is very difficult to replicate, and this makes it a powerful competitive advantage. Product and service innovations, marketing initiatives and even 'strategy' are easily reproduced. Corporate culture is not."

For their part, Hang Seng Bank has reportedly introduced flexible ways of working, which include flexible hours, personal time and provision for alternative working locations.

Citi Hong Kong also shared plans to embrace a hybrid work set-up for most of its employees (see page 6), with colleagues possibly working from home for up to two days a week, Griffiths said.



Hang Seng Bank established an ESG steering committee in 2020 (Source: Tommy Alven)

# RANKINGS: HONG KONG BANKS

2021 RANKING	BANK	Number of Employees 2021	Number of Employees 2020	2020 RANKING	CEO OR COUNTRY HEAD
1	HONG KONG AND SHANGHAI BANKING CORPORATION	29,000	31,000*	1	Diana Cesar
2	BANK OF CHINA (HONG KONG)	12,557	12,592	2	Sun Yu
3	HANG SENG BANK, Limited	7,881	8,515	3	Louisa Cheang
4	STANDARD CHARTERED BANK	6,000	6,500	4	Mary Huen
5	THE BANK OF EAST ASIA, Limited	5,576	5,564	5	Adrian Li Man-kiu and Brian Li Man-bun
6	CITI HONG KONG	4,300	4,200	6	Angel Ng
7	DBS BANK (HONG KONG) Limited	4,000	4,000	7	Sebastian Paredes
8	INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA)	3,097	3,187*	8	Wu Long
9	DAH SING BANK	3,079	3,097	9	Hon-Hing Wong (Derek Wong)
10	CHINA CONSTRUCTION BANK (ASIA) CORPORATION	2,500*	2,500*	10	Jun Zhang
11	OCBC WING HANG BANK	2,104*	2,104	11	Wu Beng Na
12	CHINA CITIC BANK INTERNATIONAL	2,000	2,000	12	Bi Mingqiang
13	SHANGHAI COMMERCIAL BANK	1,896	1,633	13	David Sek-chi Kwok
14	CHONG HING BANK	1,758	1,800	14	Jianxin Zong
15	CMB WING LUNG BANK (renamed from Wing Lung Bank)	1,751	1,763	15	Hong Bo
16	PUBLIC BANK	1,362	564*	16	Tan Yoke Kong
17	CHIYU BANKING CORPORATION	620*	620*	17	Zheng Wei
18	TAI SANG BANK	30	33	18	Cheung Yau Shing
	<b>TOTAL</b>	<b>89,511</b>	<b>91,672</b>		

\*figures retained from previous year's rankings





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# ASIA'S LEADING BUSINESS TO BUSINESS MEDIA PUBLISHER

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# What the future looks like for bricks and mortar retail in Hong Kong

One in four consumers have said they could actually do away with physical retail stores altogether.

Just as businesses were forced to speed up their digital transformations during the pandemic, many consumers had to make the switch from traditional shopping in physical stores to online. The retail sector was amongst the industries hit hardest by the pandemic; and out of this disruption, changes in consumption behaviours have emerged – some of which may be here for the long haul.

Online consumers in Hong Kong are on the rise, with a gigantic rise in the number of shoppers using online purchasing services in 2020. The Census and Statistics Department reported that the percentage of consumers aged 15 and above, who made at least one online purchase last year rose to 43.1%, up from 35.8% in 2018.

Their spending, however, dropped. The median amount spent on purchasing goods and services online dropped to \$2,000 in 2020, against \$4,000 in 2018. The significant drop was attributed to the considerable

decline in the purchases related to travel arrangements and online ticket reservations.

The majority of Hong Kong shoppers largely accessed online stores for daily necessities, clothes and footwear. As an example, the second most popular purchases were for food and beverages.

Moreover, mobile payment users also now constituted nearly 50% of persons aged 15 and over. Amongst these, 77.9% used e-payment services for online shopping, whilst 76.2% used them for in-store payments.

### “Hard to break” consumer habits

The pandemic has indeed driven consumers to switch to online platforms for everyday purchases: to order food, or buy new clothes, amongst other products. Some studies have found this increased reliance on online services for regular consumption will likely remain even after the outbreak has receded.

**Some studies have found this increased reliance on online services for regular consumption will likely remain even after the outbreak has receded.**



KPMG China, in a survey conducted with GS1 Hong Kong and HSBC, found that around one in two Hong Kongers are now comfortable shopping online; whilst one in four, or 24%, have expressed that “they could live without physical retail stores” once the city transitions to the new normal.

These levels of adoption are only slightly below those in the other nine Greater Bay Area (GBA) cities, where close to 59% are comfortable using online platforms, and 23% believe they can do away with bricks-and-mortar stores.

Retailers in the GBA have also increased the use of direct e-commerce (55%), third-party platforms (55%) and have decreased use of physical stores (24%).

The study, Retail's Realignment: The road ahead for omnichannel in the Greater Bay Area, surveyed 2,053 consumers and retail industry executives in Hong Kong as well as the nine Mainland GBA cities.



Shoppers are now more comfortable with online shopping





Shoppers have developed new purchasing habits that are hard to break

“Consumers and retail executives surveyed all agreed that shoppers have developed new purchasing habits that are hard to break,” the report read.

“Retailers agree that much of the gain by digital channels from physical stores will not return to physical stores.”

Consumers have become well-adjusted to online shopping, as seen in the study, with more than 60% of consumers in the GBA cities saying they understand online platforms better now, particularly, in terms of searching for products.

Around 65% of Hong Kong shoppers and 67% in other GBA cities have also said they had become more comfortable using digital payment tools.

Similarly, a separate study by experience management provider Qualtrics, also found that consumers in Hong Kong, who have gone digital, will likely continue relying on digital platforms after the pandemic.

## No going back to pre-pandemic consumer patterns

In its 2021 *Consumer Trends in Asia Pacific* report, Qualtrics found that the share of consumers who expected that they would buy more online after the pandemic was 30 percentage points higher than the shoppers who expected to buy less.

“According to our research, we’re not going back to exactly how things were before,” the report read.

“However, the extent of change varies across different industries and regions with some seeing a bigger swing towards online going forward, while others will see a slight shift back to offline experiences.”

Qualtrics said omni-channel experiences can be expected to remain as it observed that consumers’ preference on the channel they use vary accord-

ing to their needs.

“The global pandemic has shaken up shopper behaviour,” Nick Miles, Head of Asia Pacific, IGD, told *Hong Kong Business*.

“Many of the trends that are likely to stick around or remain elevated post-pandemic were in the pipeline pre-pandemic and have simply been accelerated by it.”

Miles said the IGD expects that online grocery penetration will continue to be elevated. Both consumers and retailers will also be more accepting of digital technology, which could lead to a greater adoption of contactless and cashless retail solutions.

He added home consumption will also likely remain high as the work-from-home setup continues to be in place across most employers.

## Bricks-and-Mortar stores still the “heartbeat” of retail

It can be expected that Hong Kong shoppers will continue buying food and other consumer goods online in the post-pandemic scenario. Online supermarkets will likely become a major challenge for physical stores, but, Miles said despite this, Bricks-and-mortar retail will still have the upper-hand over online stores.

“Undoubtedly more people than ever have and will continue to shop online for their food and consumer goods. However, stores will remain the heartbeat of the industry,” he said.

In its latest research, IGD found that 92% of all global food and consumer goods sales will remain through physical retail by 2030 even as the online grocery penetration is expected to vary by market.

“In Hong Kong, like in other markets, retailers will need to evolve stores to work alongside the growth of online,” he said.

Stores will remain the heartbeat of the industry



“Online grocery retail today is generally a loss-making activity for retailers; therefore, retailers will not simply shift all their sales online. Instead, they will need to look to evolve stores to make online operations more profitable and also give shoppers a reason to keep visiting physical retail.”

In the Greater Bay Area, according to the KPMG study, some 73% of retailers are now implementing GBA-specific strategy across one or more of their business functions, most commonly in sales and marketing and communications. KPMG noted that the focus on activities intended to lure more customers affirm their finding that retailers are increasing their use of “direct-to-consumer e-commerce and third-party platforms.”

Further, 30% retailers said they are now developing a GBA programme for logistics operation or supply chain management; whilst only 16% are implementing GBA strategy for finance or human resources and 10% for legal.

## Retail in the post-pandemic era

Consumer behaviour has changed drastically and continues to evolve during the pandemic.

“Physical retail models have been coming under pressure for a number of years, change is taking place faster than ever and the pandemic has also led retailers and suppliers to question whether their operations are fit for purpose both today and in the future,” Miles of IGD said.

In its report *Store of the Future 2030*, IGD identified five key themes that will shape how retail stores will come out of this pandemic and how it will evolve in the next decade.

“We believe the store of the future will be; exciting and experiential, digitally enabled, highly efficient, omnichannel native and naturally sustainable. Retailers and suppliers will need to work hard to evolve stores; they need to be on the front foot of how stores will evolve and what it means for their business,” These themes are aimed at bringing in-store experience that customers do not get from online shops, providing digital solutions that support the shopping experience and reducing the overall cost of doing business.

It also seeks to provide a “seamless omnichannel experience” and adopt a sustainable strategy.



Blüüm offers all-in-one protection especially for startups, SMEs, and sports lovers, among other target groups

# Inside blüüm's quest to bring new health solutions catered to every lifestyle

With its partner CareVoice, this new Hong Kong based insurer promises a user-centric and fully digital experience.

**G**iven the pandemic, it's only natural that people will focus more on their health and well-being nowadays, hence the higher demand for health insurance plans. However, customers also want a more personalised journey to go along with it. Launched by insurtech startup CareVoice in December 2020, Hong Kong-based blüüm grants health insurance products tailored on what customers need. It offers an all-in-one group medical insurance for startups and SMEs, as well as medical protection for sports lovers. Clients can also enjoy a 24/7 virtual symptom checker and book appointments from an extensive medical network through an app.

Hong Kong Business caught up with blüüm CEO **Ying Wu** and CareVoice co-founder and CEO **Sebastien Gaudin** to know more about what blüüm plans to bring to the ever-evolving insurance market and how CareVoice can help insurers tap into more population segments.

**Please give us a background of blüüm. What were the circumstances that led to the establishment of the platform?**

**Gaudin:** At CareVoice, we focus on helping insurers fill gaps in customer engagement and product innovation. Insurers are quite far from their customers, and as they create ways to engage with customers through mobile apps, they face low usage and offer very limited services. The insurance products are also quite similar to each other and do not really resonate with a specific segment.

We built CareVoiceOS, the first healthcare operating system for insurers to drive innovative customer engagement and

**Our focus is to work closely with insurers and change the way of designing health insurance products to be more population-specific**



population-specific insurance products. We realised that to be able to get insurers to adopt our tech stack, we had to work closely with them to show how to use CareVoiceOS. We have designed new health insurance products hand in hand with insurers, and from there, we've helped insurers commercialise their health products.

**Wu:** We started with group insurance because we believed that it was a very nice space for our portfolio expansion. It is usually the first insurance that people own after they graduate and it also reinforces brand recognition. We follow a family-oriented life stage design that when you get your first insurance with your company, you then stay with the brand.

We believe that these scenarios are creating different opportunities for blüüm to get into every aspect of family life and help customers live a better lifestyle, whilst in the backend we have CareVoiceOS to manage all the portfolios with the same tech stack. In the end, insurers can tap into CareVoiceOS and blüüm to efficiently commercialise population-specific health products.

**What makes you stand out from other insurtechs that offer similar services?**

**Gaudin:** We don't see a direct competition with what we are doing. The main alternative is that insurers would keep their engagements through with simple apps or undifferentiated health insurance products. Insurers may contract with specific digital health service providers but it takes effort to source, contract and implement just one digital health service. These



# INTERVIEW: BLUUM INSURANCE

services are usually not integrated with the products and the customer journey, thus having a low utilisation rate and positive impact for customers and insurers.

Our focus is to work closely with insurers and change the way of designing health insurance products to be more population-specific. If you look at the market, very few insurtechs are actually dedicated to healthcare, and it gets more complex as you have to know the two industries' specificities. Whilst our team comes more from a healthcare background, we also have people from the insurance sector which can get us very strong in helping insurers.

Lastly, it is about this ability to commercialise and offer a full turnkey solution. For instance, there are some insurers that do not offer health insurance yet. They can turn to us because we bring them the tech stack with innovative health services.

**Wu:** Our products are designed based on the scenarios and the needs of customers, and we understand that those needs are very different and personalised. We have a tech engine to flexibly combine different health services and protections. Powered by CareVoiceOS, blüüm can serve its customers efficiently through an AI-based medical triage or AI-based customer service in dealing with their claims.

**How do you envision the future of insurtech now that the world is re-emerging from the pandemic? How does that affect your strategies moving forward?**

**Gaudin:** First, insurers have realised that in health insurance, it's critical to have a connected ecosystem to operate and bring value to the end user and influence medical risk and consumption. Health insurance is a space where you have multiple stakeholders: in order to keep someone healthy, you may need to plug in different types of services. That is very hard to achieve for non-technology players, and we see that most insurers don't have this capability of integration.

A second one is population-specific insurance which we see as a strong change in the industry. Most of the products have been so far designed around categories of insurance like coverage on top of social insurance, full private medical care, or specific diseases. It is a matter of how much you pay. But how much of that resonates to who you are, the service you need and the risk you may be exposed to?

Another one is the emergence of new non-insurance channels. Insurance products have been sold a lot through traditional offline channels and broker agents, and now more and more through online brokers. However, many businesses are keen to expand their product offerings such as bringing health services especially during the pandemic. Those businesses are also interested in increasing the lifetime value of their customers and becoming a new channel for health insurance.

We are also seeing a longer-term trend where insurers are leveraging more data for better risk assessment and dynamic underwriting. This will come in the second stage because it's about accumulating the data first, then being able to run models to analyse and extract value and predictive scores. The first critical thing to do is to make sure that you can collect and generate the data either from new channels or customer engagement. As soon as you create services and engage with customers, you can get useful data that are important for risk assessment. That's an area where we are already active and that will become more important in the next one or two years.

**How does blüüm differ from traditional group medical insurance plans in the market, aside from being focused more on SMEs and startups?**

**Wu:** Group insurance is not a new concept, but we see that a lot of plans in the market are tailored to large corporations and

**Insurers have realised that in health insurance, it's critical to have a connected ecosystem to operate and bring value.**



multinational companies that are not suitable for smaller firms. The needs of SMEs are much more flexible, price sensitive and more health-services driven, so we designed the blüüm team to address the unmet needs of these segments.

This is also a great community to give health services as employee benefits. A lot of these employers are paying more attention to prevent any health problems. On one side, they don't want to pay much for health plans. On the other side, they don't want to lose employee working time due to bad healthy habits, not being able to detect early conditions or having to spend lots of time in the public healthcare system. The services that we provide help them promote healthy behaviours to their employees so that they can reduce the downsides of work and even reduce claims ratio which allow us to give them lower pricing.

**Tell us more about blüüm sport, particularly the DNA testing aspect. Why did you choose to expand your offerings to sports lovers?**

**Wu:** Our general rule in designing insurance protection is that we want to find a segment that has very unique characteristics in terms of community, has a common interest, and is willing to promote health. Sports enthusiasts fit all of these criteria.

We learn from the athletes who pay a lot of attention to more than just sports. They pay attention to their bodies, starting from the DNA testing, and they know that these tests can show how they can train better and eat better. The service we provide has a 99.9% accuracy, thanks to 31 million genetic data points. DNA testing is already being utilised in athlete training and we want to expand that to sports enthusiasts as well. By giving better diet advice and training tips, they will be able to perform better, and if they have injuries then we have services from our insurance plan to cover them during rehabilitation.

**What are the plans in the pipeline for blüüm?**

**Wu:** Our product blüüm woman was launched in February. Women have been paying more attention to their health, especially seeking protection from critical illnesses. blüüm woman was launched with a suite of relevant health services and an extra layer of protection. Together with the CareVoice teams, we have designed around 15 new health insurance categories and partnered with insurers for at least half of them in Mainland China and Hong Kong. We're expecting to launch around two new products per quarter.

**Gaudin:** With this product pipeline, we are working with leading insurers that are willing to change the way they approach the markets, going after a specific customer population, a very unique value proposition driven by health services, and also open a new way of commercialisation with non-insurance channels. We're very excited about these partnerships, where CareVoice and blüüm can provide more valuable support and make health insurance more human.



Blüüm has a tech engine to flexibly combine different health services and protections

# Where is Hong Kong now in its carbon neutrality target?

After a slow start, the City is now implementing several greenhouse gas abatement measures as it aims to be carbon neutral by 2050.

Hong Kong has been introducing measures to stabilise its carbon emissions, carefully tying its economic activities into its environmental goals of achieving carbon neutrality before 2050. Moreover, the Hong Kong government has implemented several new strategies on waste management, energy supply, and green building, amongst others, as part of this ambitious undertaking.

Since 2000, the region has seen an upward increase in greenhouse gas emissions, despite its concerted efforts to cut down and stabilize them since the late 1990s.

A report from the Hong Kong Legislative Council showed that carbon emissions in the region peaked in 2014, having increased to nearly 45 million tonnes annually. Amongst the sources of greenhouse gas emissions in the region, power generation has always accounted for the highest percentage. Power accounted for only about 0.8% of Hong Kong's total energy usage between 2011 and 2017.

Coal also remains the most

**Power generation has always accounted for the highest percentage of greenhouse gas emissions in Hong Kong**



dominant fuel in meeting power demands, still accounting for about 25% of the fuel mix despite its declining share.

Whilst Hong Kong's carbon intensity rate is still on a high, several efforts have been made by the government to stabilise it and - in time - lower it. In 2010, it made a pledge to cut carbon intensity by half to 60% over the next decade, compared to its 2005 level. Hong Kong pledged further to bring down carbon intensity by at least 65%, whilst making a new commitment of reducing per capita emissions by at least 37% before 2030.

However, the region is still far from those policy targets. It only managed to have a 35% decrease in carbon intensity, and an 8% decrease in per capita emissions on actual performance between 2005 and 2017. As such, the Hong Kong government has started making more urgent policy changes, including switching the fuel mix in its electricity generation.

One of Hong Kong's main measures to cut down carbon emissions is to increase the share of

renewable energy in the mix. This includes the deployment of more offshore wind farms, solar power, waste-to-energy plants, and also increased electricity imports from mainland China.

### **Increased reliance on renewables and gas**

Data from the Legislative Council revealed that renewable energy only accounted for about 0.8% of total energy usage between 2011 and 2017.

With this low share in mind, the government, together with local power firms CLP Power and Hong Kong Electric, introduced the feed-in tariff scheme in 2017. This has been used as a way to encourage the private sector to invest in renewables. Under the scheme, both business and individual customers are incentivised to install solar photovoltaic or wind power systems at their premises for selling their renewable energy output from HK\$3 to HK\$5 per kWh.

Furthermore, research from the Asia Pacific Economic Cooperation reveals that the generation mix in Hong Kong is also going to change significantly in the coming years, with the government planning to raise the share of natural gas in the electricity generation to 50%. Coal-fired generation is expected to be phased out by 2035, and gas-fired generation will expand from 35% of the fuel mix in 2016 to 78% in 2050.

Both CLP and HK Electric are actively contributing to this target.

CLP's Black Point Power Station currently comprises a newly-built 550 MW unit, five 337.5 MW units, and three 312.5 MW units, with an additional 550 MW unit currently under construction. The new 550 MW unit allowed CLP to achieve its target of about 50% gas-fired electricity generation, in line with the government target, last year.

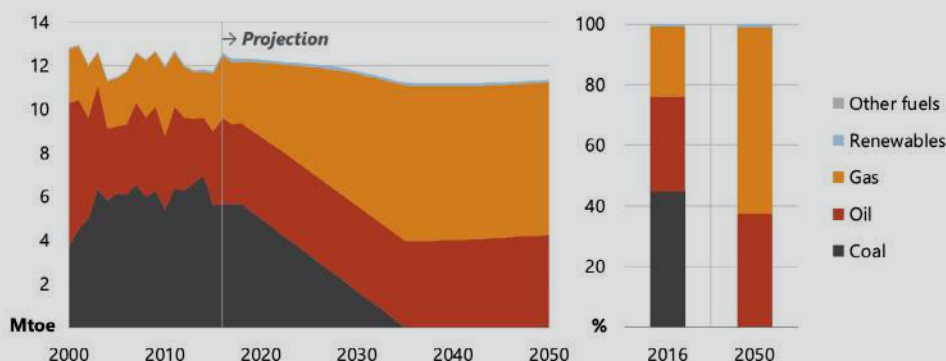
Meanwhile, HK Electric's Lamma Power Station has recently commissioned its L10, a 380 MW gas-fired generating unit, which has increased its gas-fired electricity generation for its customers by about 50%, which is also in line with the government target. Two more



The Hong Kong government is adjusting its power generation fuel mix in favour of renewable sources



Projected energy supply by fuel, 2000-2050



Source: APEC Energy Demand and Supply Outlook, 7th edition.

380 MW gas-fired generating units, L11 and L12, are currently under construction.

However, the two power firms will have to complete the construction of the three new gas-fired generating units by 2024. This directive is part of a memorandum on new caps on annual emission allowances, as approved by the Legislative Council.

This will bring the proportion of local gas generation to around 57% of the total fuel mix for power generation by 2024.

The two power companies will also continue to acquire low-emission coal for electricity generation and maintain the performance of emission control devices so as to reduce emissions from coal-fired generating units.

## The renewables push continues

The Hong Kong government is partly limited in its quest for greater renewable energy generation, by its lack of land and other development constraints. But it has managed to maintain progress over the last few years.

In his latest Budget speech, Finance Secretary Paul Chan said that the government would set aside an extra HK\$1 billion for more than 80 projects to install additional small-scale renewable energy systems on government buildings and installations, and a HK\$150 million fund to conduct energy audits and install energy-saving appliances for non-governmental

organisations.

All these measures can help Hong Kong advance towards its carbon neutrality target, and will also create jobs," Chan said.

Hong Kong's leaders have also shown support for the development of offshore wind farms, with Hong Kong Electric planning to install offshore wind turbines near Lamma Island with a total generating capacity of 100 MW. These are expected to produce 175 gigawatt-hours of electricity per year once online.

"Analysis of the wind resource indicates that the site is feasible for development of an offshore wind farm," the company has told investors. "The wind monitoring campaign is still ongoing aiming at collecting additional data for optimizing the offshore wind farm design."

CLP is also considering the feasibility of constructing an offshore wind farm in the southeastern waters of Hong Kong.

"The project has been under consideration for some time, but recent advances in the technology of wind turbine generators and an increasingly mature supply chain in the region make it appear more feasible," it said.

In March this year, Environment Secretary Wong Kam-sing also spoke at a webinar to discuss opportunities arising from Hong Kong's carbon neutrality pledge to the European business community.



Fok Kin Ning



Richard Lancaster

Wong said during the webinar that the region has been exploring various solutions to combat climate change, which includes "seeking more zero-carbon energy, adopting energy-saving technologies, promoting the wider use of electric vehicles, and enhancing waste reduction and recycling, such as optimising the development of advanced waste-to-energy/resources facilities to further turn waste into valuable resources."

## Moving towards the target

With the Hong Kong government actively aiming to reach carbon neutrality by 2050, the two power companies are proactively welcoming this undertaking.

CLP aims to support the region in its target through promoting the development of renewable energy, helping customers improve their energy efficiency, and closely monitoring the latest technological developments in new zero-carbon energy.

"We are seeing a clear shift from incremental improvements to an acceleration of the desire for change. This will create further opportunities given our strong existing position in the market," CLP CEO Richard Lancaster said in the company's 2020 report.

On the other hand, HK Electric aims to engage with the government on the best way forward, including exploring the wider use of zero-carbon energy and carbon reduction technologies.

"Sustainability is firmly integrated into our ethos and we have now reorganised our structure with a new Sustainability Committee to steer our efforts on this front," HK Electric chairman Fok Kin Ning said in the company's 2020 report.

As Hong Kong moves forward, it must continue to promote renewable energy and seek innovative solutions to its constraint in land, both of which would be beneficial to reach their target.

At the same time, the government must also work further with its stakeholders to overcome its issues on attaining carbon neutrality.

## CASE STUDY: RENEWABLE ENERGY PROJECTS



Citi and CLP senior executives in front of solar panel installation

# Citi Hong Kong installs 360 solar panels at Kowloon office

The project is part of a hybrid electrical and thermal energy system and is expected to produce 85,337 kilowatt-hours of renewable energy per year.

Banks around the globe have become creative in making their own operations more energy efficient and renewable. The Netherlands' ING Bank's new headquarters Cedar, for example, used concrete and rubble from its old building as well as banned the use of single-use plastics in its restaurants and coffee shops, amongst other sustainability-related changes. But ING has the advantage of space: what about financial institutions whose base of operations are located in jam-packed industrial centers with limited land areas, such as Singapore and Hong Kong?

Citi Hong Kong's solution is to build its new renewable energy source at its roof. In March, the bank unveiled its new hybrid electrical and thermal renewable energy system, built on the rooftop of Citi Tower at Kowloon East.

The new system's focal point is its 360 solar panels, which Citi said is able to produce 85,337 kilowatt-hours of renewable electricity. This is reportedly equivalent to the annual energy consumption of 20 households, according to the bank.

This rooftop installation also

**Net zero means rethinking our business and helping our clients rethink theirs**



includes a wind turbine, which generates electricity on-site for local use. Even water heating is covered by the energy produced by this new installation, with the hybrid system making use of the sun's energy to heat up water for use in the tower.

Citi Hong Kong expects that the hybrid system will overall contribute to a cost saving of approximately 4% of the building's annual power consumption.

Through this installation, the bank was also eligible to take part in the Renewable Energy Feed-in Tariff (FiT) scheme introduced by local electricity provider CLP. Under this, the bank will receive FiT payments for connecting the system to CLP's electricity grid.

The Feed-in Tariff Scheme is an important initiative to promote wider use of renewable energy in Hong Kong. Angel Ng, CEO for Citi Hong Kong and Macau, said during the unveiling of the bank's tailored hybrid energy system.

"We are proud to be contributing to this effort, which is in line with our group-wide strategy to reduce the environmental footprint of our facilities around the world," Ng added.

Even before the hybrid system was fully installed and revealed to the public, Citi said that its Hong Kong operations had already reached its goal to source 100% renewable electricity to power its operations in 2020.

### Net zero by 2050

The hybrid energy system is a step forward in Citigroup's commitment to achieve net zero greenhouse gas emissions by 2050, as announced by Citi CEO Jane Fraser in March. The commitment counts emissions that Citi directly produces and those contributed by the bank's specific financing activities.

"Net zero means rethinking our business and helping our clients rethink theirs," Ng said. "We believe that global financial institutions like Citi have the opportunity—and responsibility—to play a leading role in accelerating the transition to a net zero economy and deliver on the promise of the Paris Agreement."

Ng added that the bank's track record in sustainable finance places it in a good position to support clients with new ways of creating financial value that have environmental and also social benefits.

From 2014 to 2019, Citigroup financed and facilitated US\$164b in low-carbon solutions and in 2020 pledged an additional US\$250b in environmental transactions by 2025.



Solar panel installation at Citi Tower in Kowloon East





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# Global real estate firm sees rising demand for luxury property investments in Asia

The new firm helps buyers in Hong Kong and other cities select, purchase, and then get the most out of their international property investments.

**T**he pandemic may have briefly freed Hong Kong workers from the office, but the dream of many is to not just work from home, but to work from a second home, preferably in one of the many beautiful locations in Asia.

This is the market that Pave, a startup focused on helping investors find and acquire their dream properties overseas, believes is set to boom across Asia Pacific - and with Hong Kong and Greater Bay Area investors particularly interested in the potential for alternative work and life locations.

In an exclusive interview with *Hong Kong Business*, Pave Founder and CEO Alan Schmoll said that whilst real estate investors have long been attracted to buying in emerging markets, the demand grew significantly when the pandemic hit.

Pave is an online portal which offers cross-border real estate property assistance in purchasing new homes or apartments. Apart from offering homes available for sale, they also provide legal, tax, and financial consultations.

Amongst the most significant

**A lot of buyers look to buy a property overseas as a step before they immigrate to a new country**



trends they have noticed is that many buyers are seeking to invest in properties overseas. While these are mainly done for capital appreciation, some invest in properties prior to immigrating to another country.

“What we do is use a lot more data around properties around buyers’ intentions to match properties that are more relevant to the end buyer. They may want to have a condo in Bangkok, or they may want to own a ski lodge in Niseko,” he said.

“It could be for investment reasons, maximizing rental yields or capital appreciation. It could be for immigration. A lot of buyers look to buy a property overseas as a step before they immigrate to a new country,” he added.

Another trend is that investors buy properties to lease out. Earning rentals from overseas spaces is considered one of the more stable options in investing in real estate space.

“Our platform is entirely focused on buyers of property overseas. In terms of what they end up doing with them, some of them are looking to occupier use of the property, and we also have buyers that are purely looking for

investment returns, leasing it out to other buyers,” he said.

“We do work with them, to connect them with agents on the ground in those countries to ensure that they are able to lease their properties out at a satisfactory yield. So those are the two main uses of the property: both owner occupier as well as buying for investment and then and then leasing out,” he added.

In terms of the more developed markets like the UK and Australia, there is a need to be a bit more selective in buying property or for investment.

“Buyers tend to have a variety of risk profiles to solve for and we work with them to understand that before we recommend properties for them, be it an emerging market like Thailand, Vietnam, or more developed markets like the UK and Australia,” he added.

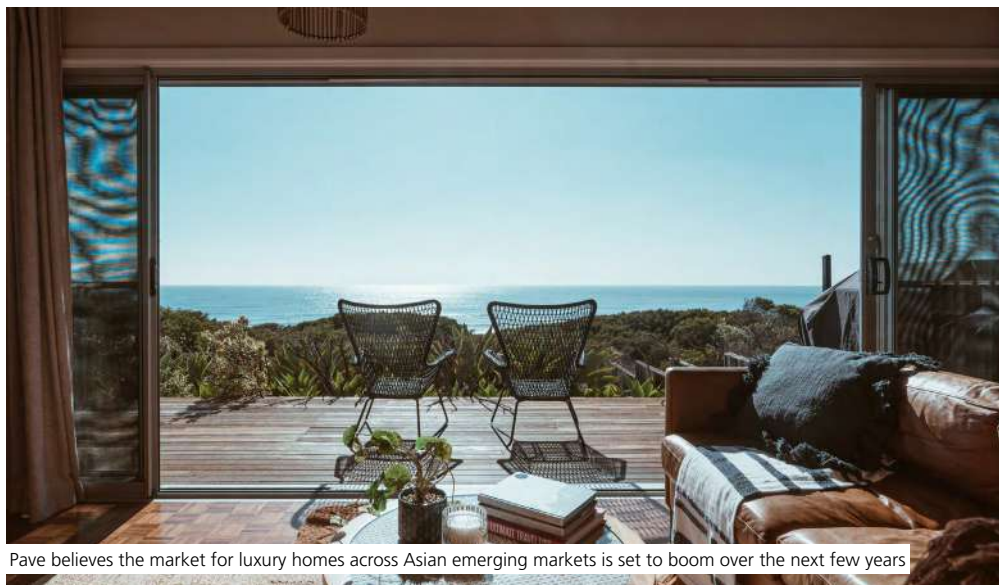
### ‘Work from Paradise’

The notion of ‘work from paradise’ shows that more employees are opting to move to places with lower living costs now that remote work is more feasible. No longer will they need to stay in the same country where their employer operates, as businesses become more flexible in having their talents perform work elsewhere.

“What we’ve seen change with the pandemic is really a couple of trends. One is this term of ‘work from paradise’ that is becoming a real consideration for people,” he said.

“If they’re employers or if they’re entrepreneurs, given the flexibility to live elsewhere, a lot of them are thinking about buying a second or third home in a place that is more of a paradise. It may be Bali, Phuket, or in Bangkok,” he added.

Correlated with this is the ‘repatriation move.’ Whilst some may choose to work elsewhere, a number of employees have opted to return back to their home country.



Pave believes the market for luxury homes across Asian emerging markets is set to boom over the next few years





Pave Founder and CEO Alan Schmoll

Schmoll said that a number of Australians who moved to Singapore or Hong Kong for work are now considering moving back to Melbourne or Sydney as remote work is now possible with their employers.

“Second is the ‘repatriation move’ as we call it, with expats that have been living in places like Hong Kong or Singapore for 5, 10, 15 years. Given what’s going on with COVID and the difficulty of traveling across borders, as well as also being able to conduct their jobs remotely, you’re now seeing quite a few foreigners thinking for themselves,” he said.

“Do I need to be based in Hong Kong and Singapore to do my job or should I come back to Australia? That is something that we’ve seen quite a bit of inquiry on particularly coming back into Melbourne and Sydney for expatriates that had lived in Hong Kong for a fair period of time,” he added.

Emerging markets like Thailand and Vietnam are currently the top picks in these queries. For Schmoll, these countries are promising as they project that properties here will still appreciate in the coming years.

“Places like Thailand and Vietnam, we term them as ‘emerging markets.’ These are when there is still a lot of scope for appreciation in the underlying property prices. As those countries become wealthier, the middle income earners earn more, and more urbanization will move from the countryside to the city. So, the long term trends in Thailand, Vietnam are always going to be very supportive to property prices appreciating,” he said.

### Bespoke services from Pave

Whilst the main platform serves as an easily accessible way for buyers to reach their consultants, Schmoll said that they also have the Pave Bespoke platform to cater to buyers with more niche preferences. Here, clients may request for properties not included in Pave’s platform.

Apart from removing the legwork, the Bespoke options will aid buyers from finding their highly coveted homes to closing in the deal.

Clients will receive a shortlist of choices that Pave consultants will search for them personally. From there, Pave will assist in legal and accounting matters, including arrangements needed with banks and even in furnishing the place with interior designers.

“The way that works is there is a small down payment that is paid to us. Then, we go out there and represent them from search and discovery and finding a list of shortlisted properties that we feel meet the requirements, to negotiation with the vendor. In this case, the vendor could be a developer or could be a secondary home seller,” he said.

“Engaging and helping them with lawyers and legal work, working with accountants and all the way through to settlement, working with a bank and as well as even furnishing and decorating the property are steps similar to the end to end service we provide through our platform but in this case, it’s just again a little bit more bespoke in terms of what they’re looking for,” he added.

In places like Thailand and Vietnam, there is still a lot of scope for appreciation in the underlying property prices



### Adapting to lifestyles

Looking forward, Schmoll said that Pave aims to be able to provide options to their buyers depending on their individual lifestyles. As online portals grow in number, Pave wants to set itself apart by offering information about the surrounding area of the properties they have on sale.

“I think it’s important for us to also be a lifestyle platform to give insights to people around the areas that they’re buying. If they’re looking at buying an investment property in Manchester, we’re providing details about the supply and demand and the real estate market. This includes what people are looking at rents, what people are buying, what’s going on infrastructure, price per square meter or trends and yields,” he said.

“But I think just as important to that is we’ll be providing a lot of information around lifestyle. What are some of the reasons why aside from work people want to actually live in a place like Birmingham. What’s the restaurant scene like? What’s the nightlife scene like? What’s the sporting scene like? What can people do on the weekend for their hobbies?” he added.

Schmoll said that they observed that buyers are becoming more comfortable buying properties online. The pandemic brought about this new trend of online tours of properties, which efficiently removed the necessity of being at the exact location of the property.

Pave offered 3D tours of their properties and had their consultants available online for possible questions for their prospective buyers.

“People are becoming more and more comfortable buying things online. It’s not to say that people don’t want to go and view a property themselves anymore, we don’t have an issue with that,” he said.

“We provide our buyers the information, videos, floor plans, information about the areas, 3D walkthroughs, using drone technology to provide views from the actual level that somebody’s apartment may be on. These are things that make people more comfortable again, doing things in an online environment and we feel that trends are going to accelerate and continue,” he added.

# Recognising and celebrating enterprise across the whole Greater Bay Area

A new awards programme from *Hong Kong Business* will recognise and reward businesses and projects that have helped to integrate and transform the Guangdong-Hong Kong-Macau Greater Bay Area.



Since the region was first targeted for specialised economic development in 2017, the Guangdong-Hong Kong-Macau Greater Bay Area has seen a surge in investment and development. The truly integrated megapolis now consists of nine distinct cities, and two special administrative regions, and is home to a total population of 71.2 million people throughout.

In 2020, the combined GDP of cities in the Greater Bay Area amounted to US\$1.67t.

This is projected to rise to US\$4.6t by 2030, based on projections by the China Center for International Economic Exchanges. Should it hit the 2030 forecast, the GBA will be surpassing its global peers, including the Tokyo Bay Area (with a current GDP of US\$3.2t annually), and the New York Bay Area (US\$2.2t).

The surge in public investment and interest has driven companies, and even individuals, to make the move to the region. Meanwhile, those already present have embraced the opportunity to truly integrate

**The Greater Bay Area Enterprise Awards will cover any initiatives that foster mutual cooperation, investment, and development across multiple cities in the Greater Bay Area**



their operations throughout the 56,000 square kilometre zone.

In recognition of those companies seizing new opportunities and contributing to that wider development, *Hong Kong Business* has launched the first ever Greater Bay Area Enterprise Awards.

These will recognise and celebrate extraordinary achievements, businesses and individuals who are honouring the spirit of the economic integration in unique, and often highly creative ways.

The Greater Bay Area Enterprise Awards are open to companies across all industries that are based in Hong Kong or Macau. They will cover any initiative or project the company has done in the Greater Bay Area to foster mutual cooperation, investment, and development across multiple cities. Projects solely executed in Hong Kong by Hong Kong-based businesses are not eligible for participation in these awards.

For the Greater Bay Area Enterprise Awards, *Hong Kong Business* and its panel of esteemed

judges (chaired by *Hong Kong Business*' Publisher and Editor-in-Chief Timothy Charlton) will select, amongst the nominated companies, those that have demonstrated a deeper integration or coordination of economic development between Hong Kong and the Greater Bay Area. The initiative should have a successful and ongoing economic impact for the development of the Greater Bay Area as a whole.

To qualify for the awards, the initiative must have been launched or had upgrades, in part or in full, over the last 24 calendar months. The awards are open to all industries, including those that have been designated key pillars in the Greater Bay Area development - such as financial services, education, and technology. Each nominating project or initiative will be judged according to four major criteria: investment and commitment, effectiveness, and impact as well as dynamism. Finally, *Hong Kong Business* will judge the initiative on its flexibility to changes and progressive opportunities.

To nominate, and for more information, head online to the dedicated portal via the QR code below.







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# LAWRENCE CHIA

## Why Hong Kong needs a corporate wellness paradigm shift now



**LAWRENCE CHIA**  
Group Chairman, CEO  
Pico Far East Holdings Limited HK



The bounce back to purely in-person events will likely be more gradual than most predicted

By mid-June of 2021, more than 2.4 billion COVID-19 vaccine doses had been administered to populations in 180 countries, according to data collected by Bloomberg. While that may be encouraging news on its face, a return to 'business as usual' remains a distant and uncertain prospect; though COVID transmission rates are down in some countries, they have skyrocketed in others, causing yet more rounds of lockdowns and bringing economic activity to a virtual halt.

Just as nobody knew how far and deep the pandemic's impact would be on business, nobody today can predict when its effects will cease to be felt. Or even if they ever will. 'Business as usual', when it returns, may be strikingly different from the pre-pandemic norm. Is there any way to prepare for the unforeseeable?

Of course, no business can prepare for every eventuality. But we can equip ourselves with an all-purpose basis for continuing business and minimising losses in crisis. To take my own company as an example, Pico was inevitably hit hard by the pandemic, as a large proportion of our business is in activating brand experiences through live events and exhibitions. When the MICE (meetings, incentives, conferences and exhibitions) sector itself ran into a headwind, we needed to move quickly to devise a response – but with deliberation.

For our staff around the world, we devised standard procedures for protecting their health and enabling them to continue work at overseas project sites or while self-isolating at home. For our business, we redoubled our efforts in the one area of our existing service offerings that looked promising amid pandemic conditions: virtual events. By moving marketing and brand-building events such as product launches, exhibitions and trade shows online, we would be supporting our clients' business continuity as well as that of ourselves.

This proved an astute move: as more and more in-person events were cancelled or indefinitely postponed, demand began to build for safe-but-effective online equivalents. To name just a few, in the last few months we've seen virtual editions of CENTRESTAGE, the Brand New Virtual Hong Kong International Fur & Fashion Fair, and Cloud Expo Asia. Even the Hong Kong Tourism Board got into the act with Hong Kong WinterFest's award-winning virtual tour of

'Christmas Town'. All these demonstrated how far technologies and techniques have gone towards making online events as immersive and memorable as the 'real' thing.

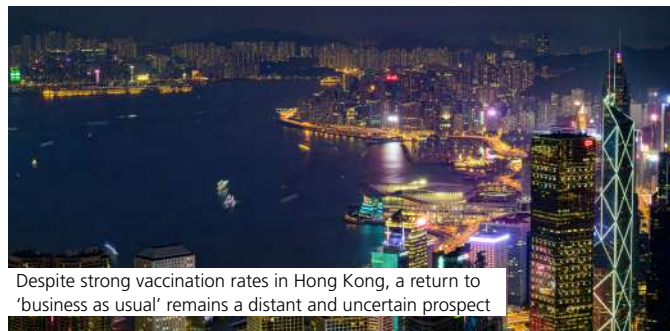
The experience we gained from our own crisis response was valuable in other ways too: in Hong Kong, we continue to advise event organisers and venue operators on safe management practices for events. In Malaysia, we were part of a task force preparing the way for a rejuvenation of Penang's business events industry.

Our CSR activities were refocused onto pandemic control, but not curtailed; after all, if such activities are deemed important in normal times, surely they are even more vital when communities are experiencing an actual crisis. Meanwhile, our professional expertise in designing, constructing and installing exhibition booths, and fully-functioning temporary facilities was redirected to designing and providing COVID-19 patient care, testing or vaccination facilities in places such as Hong Kong, Malaysia, Myanmar and Singapore.

Many enterprises have been able to emerge from the depths of the pandemic intact, capable of responding to whatever the post-pandemic market demands. And indeed, even now, the picture of just what those demands will be remains hazy. The pandemic, as crises sometimes do, has acted as an accelerant on trends that were already under way: certainly, it has shifted consumers even more radically toward online shopping, home delivery and working from home. The ripple effects are being felt by virtually every business, and there's no reason to expect them to reverse themselves in any way in the post-COVID era.

For the MICE industry, that was recently underlined in a consumer survey by Gartner, which indicated that just 21% of respondents felt willing to engage in physical contact with others even after receiving vaccination. Perhaps the bounce back to purely in-person events will be more gradual than most predicted. To reflect this sentiment – particularly in regions subject to strict quarantine or preventive measures – it may be wise to assume upcoming shows and events will be virtual, while being prepared to transform them into hybrids with in-person elements should the situation permit.

For business in general, the bigger message is: while crises may or may not be foreseeable, their full effects are not. You only know them when you are already in their midst. Prepare to be prepared.



Despite strong vaccination rates in Hong Kong, a return to 'business as usual' remains a distant and uncertain prospect



YESSTYLE®



# LAUREN ZHAO

## Why Hong Kong's small businesses need to reimagine future growth



**LAUREN ZHAO**  
Managing Director  
UPS Hong Kong, Macau

Small and medium-sized enterprises (SMEs) are a cornerstone of Hong Kong's economy. They employ 1.2 million people and account for 45% of Hong Kong's overall employment, so their prosperity is critical to our city's success.

The pandemic has exposed the vulnerability of global supply chains and has been a wake-up call for many local businesses to review and improve the resilience of their operations. For recovery to take root, businesses need to act to avert further disruption and ideally emerge even stronger than before.

Lockdowns and restrictions have also accelerated the growth of e-commerce around the world and customers everywhere are buying more online; research organisation Digital Commerce 360 estimates that online sales globally grew by over 24% to nearly US\$4.3 trillion during the pandemic year of 2020.

This means now is the time for small businesses to reimagine their customer base and connect to new audiences, and digital innovation is integral not only to how they will unlock this challenge, but also as a means to guard against any future uncertainty.

Analysis from Tech Monitor has shown that digitalised companies have performed better financially, and more firms are moving digital transformation up their agenda. But what do business owners need to do to improve their resilience and create more opportunities in the e-commerce space?

### Build up and back up

Many businesses were caught off-guard by the rapid spread of the pandemic which uncovered weaknesses in their supply chains, creating shortages and backlogs. According to PayPal, an overwhelming 86% of Hong Kong's businesses have experienced supply chain disruption and logistical issues because of the lockdowns and border closures.

When the pandemic first hit, supply chain disruption in China focused the need for greater diversification. And subsequent unforeseen events such as the March 2021 blockage of the Suez Canal, a route which accounts for about 30% of the world's daily shipping container freight, have further emphasised the fragility of global supply chains at the moment.

Hong Kong business owners should continue to recognise the need to recalibrate their expansion strategy and decentralise operations to shield themselves from any potential market disruptions, for example by investing the necessary time and money in expanding their networks of tier-2 and tier-3 suppliers to secure stocks and available transport capacity.

### Look for customers in new markets

With its enviable connectivity by land, air and sea, Hong Kong is well positioned to grow further as both an import and export gateway to Asia Pacific. As retail businesses shift out of survival mode, they recognise the need to look further afield for growth opportunities, with 64% of e-commerce business owners in Hong Kong saying they need to increase demand or find more customers as soon as possible, and

45% believing it is urgent for them to find customers overseas (PayPal).

Asia Pacific is the closest and most natural place to start. While China is currently Hong Kong's top export destination, an expanding middle class and GDP growth, advancements in technology and infrastructure and rapid transition to online purchasing mean neighbouring markets in Asia Pacific also offer tremendous untapped opportunities for businesses to expand their customer base.

Indonesia, for example, recorded surging e-commerce sales in 2020, with the total value estimated to have increased 37.4% to US\$25.3 billion, according to research firm GlobalData. Thailand came second after Indonesia in terms of internet economy size, amid the country's rising internet penetration rates in recent years. The number of Thai households shopping online has surged by 58% during the pandemic, according to NielsenIQ, accelerating the country's shift to e-commerce.

### Know before you go

For small businesses in particular, where teams tend to be lean and resources stretched, the effort and investment required to reinforce a supply chain that's likely taken some time to build can seem daunting. But UPS has dedicated experts that can help.

From simplifying paperwork to demystifying the nuances of a multi-lateral trade agreement, specialist knowledge and expertise can help build flexibility, reliability and peace of mind into supply chains, meaning businesses can adapt quickly when dealing with the unexpected. We have seen demand for these services rise since the outbreak, reflecting economic trends and a rising level of awareness and action. We have also seen rising ambition to look overseas for solutions and growth.

Although challenging, many companies are already making great strides in unlocking new opportunities overseas; Hong Kong-based tech accessories company Native Union is just one example. When the company was planning its recent expansion into Japan, the team faced a problem they weren't able to solve alone which would have delayed plans considerably. But after talking to UPS, we were able to collaborate and find a solution that means Native Union now enjoys a smooth and simplified shipping process that complements the company's individual growth ambitions.

### Time to think digital

SMEs play an essential role in supporting the economic recovery and development of Hong Kong. As the pandemic has accelerated the shift away from physical stores to digital shopping, they are investing in digital to reach customers and stakeholders at an unprecedented pace. A recent report by data management company Veeam shows that two-thirds of Hong Kong businesses are investing in initiatives to accelerate digital transformation to further improve their ability to roll with market volatility and evolving customer demand.

In today's fast-paced, e-commerce-driven world, businesses everywhere need to be bold, agile and innovative. This can seem daunting but digital innovation is making it easier than ever before for SMEs to reach new markets and reduce friction along the way.





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