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Building Strength for New Breakthroughs: Hong Kong's Economic Transformation and Future Opportunities

Leap Forward Bloom Beyond
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Preface

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Amid profound changes in the global geopolitical landscape and China's transition toward high-quality economic development, Hong Kong's unique position and strategic value is becoming increasingly prominent. As global capital continues to seek stability and predictability, the appeal of Hong Kong as a critical hub to international capital seeking safe havens and efficient allocation continues to grow. Meanwhile, as China accelerates the drive toward innovation, openness, and green transition, Hong Kong is presented with great opportunities to enhance its status as an international gateway and strengthen its role as a hub. Furthermore, advances of the Guangdong-Hong Kong-Macao Greater Bay Area in institutional innovation, industrial collaboration, and transportation infrastructure development further reinforce Hong Kong's role as a “super connector” and a “super value adder” bridging global resources with the Chinese Mainland market.

In the context of this new landscape, Hong Kong is actively driving high-quality economic advancement under the guiding principle of “linking the Chinese Mainland and the rest of the world's markets while capitalising on complementary advantages.” To reinforce our long-term commitment to the Hong Kong market, Deloitte China is launching the “Hong Kong LEAP” strategy with focus on fintech, digital assets, and artificial intelligence to comprehensively enhance our professional service capabilities and talent development, aiming to help strengthen Hong Kong's position as an international financial centre and boost its development into an international innovation and technology hub. By publishing this whitepaper, “Building Strength for New Breakthroughs: Hong Kong's Economic Transformation and Future Opportunities,” we hope to contribute strategic insights and professional advice to help Hong Kong achieve coordinated breakthroughs in policy formulation, industrial development, and capital deployment.



The whitepaper explores how Hong Kong seizes opportunities for development amid transformation through four strategic pillars. In the area of finance, it suggests Hong Kong to accelerate innovation to consolidate its position as an international financial centre and build a world-leading digital asset hub. In terms of innovation and technology, it recommends deepening coordinated development with the Greater Bay Area and transforming the Northern Metropolis into a new powerhouse for growth. In supporting Mainland enterprises going global, Hong Kong serves as a preferred launchpad with its comprehensive and professional service ecosystem. The HKSAR Government has also established the GoGlobal Task Force to accelerate Mainland enterprises' path onto the global stage, further strengthening Hong Kong's position as a strategic gateway for their global journey. As to green and sustainable development, it advises on expanding from a green finance centre to a green transition hub to drive low-carbon transition in the region and connect

domestic and foreign carbon markets. These four priorities not only build on Hong Kong's established advantages but also align with the broader trends toward high-quality, innovation-driven, and sustainable growth. Collectively, they reinforce Hong Kong's role as a global economic nexus and inject renewed "Hong Kong momentum" into China's pursuit of high-quality development and the growth of the global economy.

Standing at a pivotal stage of a new round of economic advancement, Hong Kong faces challenges from global restructuring now. By leveraging its strengths in institutions, geographic location, and professional services, Hong Kong is well-positioned to build on its accumulated momentum and forge a new path forward in the new era of economic upgrading. We look forward to working together with all stakeholders to help Hong Kong excel in the global marketplace and strive toward a new chapter of resilient, dynamic, and promising economic growth.

Dora Liu
Deloitte China CEO

Summary

Global geopolitical shifts have further enhanced Hong Kong's appeal to international investors. Amid China's accelerated drive toward innovation, openness, and green transition, Hong Kong is presented with strategic opportunities to capitalize on its inherent strengths and elevate its competitiveness as an international hub. Meanwhile, the Guangdong–Hong Kong–Macao Greater Bay Area (GBA) continues to advance institutional innovation, industrial collaboration, and transportation infrastructure development, further consolidating Hong Kong's pivotal role as a key bridge connecting global resources with the Chinese Mainland market.

Within this new development landscape, Hong Kong is advancing economic restructuring under the guiding principle of “linking the Chinese Mainland and the rest of the world's markets while capitalising on complementary advantages.” The city is driving growth through four strategic pillars—finance, innovation and technology (I&T), going-global services, and green and sustainable development—that serve as the core engines of its competitiveness. These four priorities not only build on Hong Kong's existing strengths as an international financial centre and “super-connector,” but also align with the broader trends toward high-quality, innovation-driven, and sustainable growth. Collectively, they reinforce Hong Kong's role as a global economic nexus and inject renewed “Hong Kong momentum” into China's pursuit of high-quality development and global economic advancement.





i. Accelerating Fintech Innovation to Drive the Upgrade of the International Financial Centre.



Hong Kong's capital market, leveraging the momentum of China's new-quality productive forces, is rapidly fostering a diversified investment ecosystem. In the first three quarters

of the year, Hong Kong ranked first globally in IPO fundraising, supported by increasingly internationalised and diversified sources of capital. In the bond market, propelled by the internationalisation of the RMB and the rise of green and sustainable finance, offshore RMB bonds and green bonds have emerged as core engines of growth.



Intensifying global competition among international financial centres. Geopolitical volatility

continues to fuel market uncertainty; structural shortages in multidisciplinary financial talent persist; and Fintech innovations are creating new and complex challenges for financial regulators.



Hong Kong remains Asia's leading private wealth management centre. In 2024, its asset and wealth

management business reached a record high, ranking second globally (after Switzerland) in cross-border wealth management. This is driven by the return of international capital seeking safe havens and by the positive policy measures introduced by the Government of the Hong Kong Special Administrative Region (HKSAR Government), which have attracted global family offices and wealth management institutions to expand their strategic footprint in the city.



Leveraging Fintech innovation to link traditional finance and the digital future. In June, the

HKSAR Government issued the *Policy Statement 2.0 on the Development of Digital Assets* underscoring its commitment to positioning Hong Kong as a world-leading hub for digital assets. The city has already achieved major breakthroughs in the development of tokenised assets.



Going forward, Hong Kong aims to further strengthen its traditional financial advantages while prioritizing the development of a robust digital asset ecosystem. The city will further integrate its

stock market with the global financial system, elevate its bond market from being a regional leader in Asia to becoming a "global leader," and consolidate its status as a premier global wealth management and family office hub. Meanwhile, Hong Kong will build an innovation-driven digital finance centre in Asia - one that achieves a strategic balance between prudence and innovation.





ii. Deepening Cross-Border Regional Cooperation to Position I&T as a New Economic Growth Engine.



Hong Kong, together with Shenzhen and Guangzhou, has topped the global ranking of innovation clusters.

While Hong Kong possesses world-class capabilities in fundamental research, the GBA excels in scaling innovations from “1 to 100,” transforming research outcomes into large-scale commercial and industrial applications. Together, they create immense potential for cross-border collaborative innovation.



In the face of high land costs, Hong Kong is focusing on high value-added industries to drive “new-type industrialisation,”

particularly in health technology, artificial intelligence and data science, advanced manufacturing, and clean and renewable energy technologies.



Institutional breakthroughs are accelerating the development of the Northern Metropolis.

Through a high-level coordination framework, Hong Kong is dismantling interdepartmental barriers, introducing targeted policies for innovation participants and key factors, and strengthening government support for industries, to transform the Northern Metropolis into a new powerhouse for I&T.



Enhancing and diversifying financing channels while amplifying capital leverage to drive emerging industries.

Hong Kong is establishing an industrial fund guidance system to catalyse market-based capital in support of strategic emerging and future industries.



Tackling challenges in Hong Kong–Chinese Mainland collaboration and talent shortages.

Innovation collaboration between Hong Kong and the Chinese Mainland remain at an early stage, while the I&T sector faces a pronounced shortage of high-end talent.



Optimizing both the infrastructure and services for scientific research and daily life” of the Northern Metropolis to develop it into a world-class innovation and technology hub.

Efforts on the hard infrastructure focus on meeting the spatial and logistical needs of innovation and talent, while those on the soft ecosystem emphasize research collaboration and service support. Together, these initiatives enable greater industrial land availability, a stronger pool of innovation talent, and smoother cross-border collaboration.





iii. Seizing New Opportunities in the Global Expansion of Chinese Mainland Enterprises and Consolidating Hong Kong's Role as a Strategic Gateway for Their Globalisation.



Strengthening innovation linkages and driving green development.

As Chinese Mainland enterprises go global with a growing focus on technology, branding, and management capabilities, Hong Kong is prioritizing innovation connectivity and green development to enhance its role as a global service platform.



Serving as the "super-connector" for Chinese Mainland enterprises entering emerging markets.

As Chinese companies actively explore these markets, Hong Kong leverages its internationalised business ecosystem and global connectivity to provide multi-tiered, specialised commercial and trade support networks.



Attracting Chinese Mainland enterprises to establish corporate treasury centres.

Leveraging its financial and tax advantages, Hong Kong offers secure and efficient payment settlement services, diversified financial products, and cost-effective cash pooling solutions, driving a new wave of growth in corporate treasury operations.



Building a one-stop service platform for Chinese Mainland enterprises going global.

Hong Kong is establishing a dedicated "Chinese Mainland Enterprises Going Global Task Force," with a core focus on integrating global resources. In addition, Hong Kong could focus on empowering enterprises' global expansion through capabilities in risk management and long-term overseas development.





iv. From a Green Finance Centre to a Green Transition Hub—Driving the Transition of Carbon-Intensive Industries.



Dual focus on financial policy and products to support the transition of high-emission industries. High-emission sectors such as steel, cement, chemicals, and shipping face significant funding gaps in their low-carbon transition. Hong Kong is developing a policy framework covering “standard setting, incentive schemes, and information disclosure,” thereby extending green finance into transition finance. By the first half of 2025, transition finance had already accounted for 25% of the total value of green loans.



Connecting domestic and foreign carbon markets to promote mutual recognition of carbon asset accounting and certification. Leveraging the Chinese Mainland's carbon market - the world's largest compliance carbon market - Hong Kong holds a natural advantage in driving the alignment of domestic and international carbon market rules and enabling the cross-border circulation of carbon asset. The Hong Kong Exchanges and Clearing Limited (HKEX) launched Core Climate in 2022, the world's only voluntary carbon trading platform supporting settlement in both HKD and RMB. The platform has attracted more than 80 international and local institutions and is partnering with carbon exchanges in Guangdong and Macao to promote mutual recognition of standards.



Developing a sustainable fuel bunkering hub and a low-carbon urban demonstration to drive large-scale adoption. As the world's largest air cargo hub and the fourth-largest maritime centre, Hong Kong is working with the Chinese Mainland to co-develop a green marine fuel ecosystem supported by market-based incentives, positioning the city as a leading hub for green fuel bunkering. In the construction sector, Hong Kong promotes digital design and modular construction to develop replicable and scalable low-carbon urban solutions.



Three major challenges remain in building a regional transition hub. Gaps remain in the sectoral coverage of transition finance standards, making it difficult for financial institutions to properly price risks and returns. Limited credibility of carbon assets undermines their cross-border liquidity and transparency. Meanwhile, the slow commercialisation of green technologies continues to pose high cost and infrastructure investment pressures - that is, sustainable fuels remain expensive and require capital-intensive investment in infrastructure, while the carbon savings from building retrofits are not yet monetised, leading to a misalignment between investment returns and market incentives.



Looking ahead, Hong Kong aims to unlock new growth potential by ensuring effective “standards interoperability, asset tradability, and technology deployment.” In transition finance, Hong Kong will advance by improving relevant standards and innovating products. In the carbon market, it will explore a dual- certification mechanism linking CCER with international carbon standards, while establishing carbon asset tracking and rating systems to enhance transparency and investor confidence. In green technologies, Hong Kong will integrate fuel carbon intensity certification and building energy-efficiency verification into the carbon credit system, thereby turning emission reductions into bankable and tradable assets.



1

Hong Kong's New Positioning Amid Global Transformation

Amid profound changes in the global geopolitical landscape, the continued advance of China's high-quality development, and the deepening coordinated development of the Guangdong–Hong Kong–Macao Greater Bay Area (GBA), Hong Kong stands at the convergence of threefold opportunities at the global, national, and regional levels. This new landscape not only allows Hong Kong to leverage its unique advantages and enhance its competitiveness as an international hub, but also helps it to achieve new breakthroughs in serving the nation's overall development strategy.

Figure: Global, national, and GBA changes bringing multiple development opportunities for Hong Kong



Source: Deloitte Insights



1.1 The evolving global geopolitical landscape further enhances Hong Kong's appeal to international investors

As the global geopolitical landscape undergoes profound changes, Hong Kong, as an international financial centre, continues to attract global capital inflows with advantages including a stable and secure social environment, the linked exchange rate system, and free capital mobility, underpinned by the vast economic hinterland of the Chinese Mainland. According to the 2024 Asset and Wealth Management Activities Survey released by the Hong Kong Securities and Futures Commission, total assets under management (AUM) within Hong Kong's asset and wealth management industry reached HKD 35.1 trillion (approximately USD 4.53

trillion) by the end of 2024, surpassing Singapore's USD 4.46 trillion, with net capital inflows surging by 81% over the year. The capital markets also performed strongly: in the first three quarters of 2025, the Hang Seng Index recorded a cumulative gain of over 33%, significantly outperforming the S&P 500's 13% increase, underscoring strong capital allocation appetite and active inflows into Hong Kong.

Renewed confidence among global investors in China's economic advancement and tech innovation strength has been a key driver of capital inflows into Hong Kong.

In 2024, the Chinese Mainland's

GDP surpassed RMB 130 trillion, representing 5% year-on-year growth. Among this, the industrial added value of high-tech industries achieved an 8.9% year-on-year increase. In the first half of 2025, growth accelerated further, with the Chinese Mainland recording GDP growth of 5.3%, underscoring the strong resilience and the characteristics of innovation-driven development. Positioned as the "super connector" between the Chinese Mainland and the global economy, Hong Kong continues to play a pivotal role as a key gateway for international investors to participate in and benefit from China's growth dividends.





1.2 China's economic transformation and upgrading present strategic opportunities for Hong Kong

First, China's drive to advance new quality productive forces through innovation is boosting economic dynamism.

China's position in the global innovation system continues to rise. According to the World Intellectual Property Organisation's Global Innovation Index 2025, China ranks first in the world for the third consecutive year with 24 innovation clusters, underscoring its strong capacity for technological agglomeration. Hong Kong is making every effort to develop into an international I&T hub. By strengthening R&D and industrial collaboration with the Chinese Mainland, it can tap into national innovation momentum and draw new impetus for growth. Universities and research institutions in Hong Kong can collaborate with enterprises and academic institutions in the Chinese Mainland to tackle critical core technologies and accelerate the commercialisation of research outcomes. Leveraging its internationalised ecosystem, Hong Kong can attract global innovation resources and foster the integration of international innovation elements with the Chinese Mainland market, creating mutually reinforcing strengths. In addition, the rapid rise of Chinese tech companies, characterised by strong growth potential and innovation capacity, has injected renewed vitality into Hong Kong's capital markets. In turn, Hong Kong's capital markets provide these enterprises with robust financing channels and a solid platform for business development and international expansion. In the first three quarters of 2025, IPO fundraising in Hong Kong reached HKD 182.9 billion, of which over 60% came from

H-share listings. Four of the five largest IPOs were H-shares, all of which raised over HKD 10 billion each.

Second, Chinese enterprises are accelerating their global expansion, broadening the incremental growth potential of the economy.

In 2024, China's non-financial outbound investment exceeded USD 140 billion, up 10.5% year-on-year. Hong Kong plays a pivotal role in the global expansion of enterprises from the Chinese Mainland, accounting for approximately 60% of China's annual outward direct investment. Many Chinese Mainland enterprises have established offshore companies in Hong Kong as their overseas headquarters. With its strategic location, simple and transparent tax regime, and free flow of capital, Hong Kong offers distinct advantages for Chinese Mainland enterprises in managing foreign exchange and cross-border capital arrangements. Its mature ecosystem of professional services, spanning law, consulting, and accounting, further enhances its appeal as a base for these companies to establish their business presence in Hong Kong. By serving as a vital platform for Chinese Mainland enterprises to "go global," Hong Kong continues to consolidate its position as a leading international financial, shipping, and trading centre, while fuelling the expansion of its high-end, high-growth service industries.

Third, China is advancing a comprehensive green transition of its economy and society, aiming to forge new levers of international competitiveness.

In recent years, China has steadily advanced green transitions in the energy, industrial, and transportation sectors. At the same time, it has leveraged green finance instruments to support the dual objectives of steady economic growth and carbon emissions reduction. In 2024, the total output value of China's green and low-carbon industries surpassed RMB 11 trillion. By the end of Q2 2025, the value of outstanding green loans came in at around RMB 42.4 trillion, representing a robust 22% increase year on year. Such a vast market provides Hong Kong with a broad platform to leverage its strengths in finance and green financial products and services. In 2024, Hong Kong issued over USD 43.1 billion in sustainable bonds, accounting for 45% of Asia's international market. The growing demand for green financing from the Chinese Mainland's new energy and low-carbon industries is expected to further drive the expansion of green bonds and carbon finance derivatives in Hong Kong, consolidating its position as a leading green finance hub in Asia. Furthermore, leveraging its well-established green finance products, services, and governance systems, Hong Kong can serve as a bridge in advancing the Chinese Mainland's green development, promoting mutual recognition of international standards, and facilitating cross-border carbon market connectivity.



1.3 The fast rise of the GBA empowers Hong Kong to strengthen its core competitive advantages

As one of China's most open and economically dynamic regions, the GBA is gradually seeing a new blueprint for high-quality development take shape. In 2024, the region's GDP exceeded RMB 14 trillion, accounting for nearly one-ninth of the national economy while occupying less than 0.6% of China's total land area. Through enhanced connectivity, resource sharing, and leveraging complementary strengths, the 11 GBA cities continue to strengthen their growth momentum and collective competitiveness. Positioned as a key growth engine of the GBA, Hong Kong capitalises on its status as an international financial, shipping, and trade centre to serve as a "super connector," building a critical bridge between global resources and the Chinese Mainland market.

First, the GBA is driving institutional innovation to break down barriers to the factor mobility, enabling Hong Kong to further unleash its strengths in services and talent. Building on the unique framework of "one country, two systems, and three separate customs territories," the GBA promotes institutional innovation in key areas such as cross-border factor flows, the business environment, livelihood integration, and major cooperation platforms, aiming to enhance market integration. For example, the "Cross-boundary Wealth Management Connect" scheme has facilitated two-way opening of the financial markets.

As of June 2025, over 160,000 individual investors had participated in the scheme, with cross-border remittances exceeding RMB 118 billion, further consolidating Hong Kong's status as the global offshore RMB business hub and a leading wealth management centre. The region is also promoting mutual recognition of professional qualifications, enabling Hong Kong professionals in law, accounting, and architecture to practice in the Chinese Mainland market.

Second, an emerging industrial collaboration ecosystem within the GBA is taking shape, promoting synergy and leveraging complementary strengths between Hong Kong and cities in the Chinese Mainland. Harnessing its strengths in international finance, professional services, and world-class research capabilities from prestigious universities and research institutes, Hong Kong provides technology enterprises across the GBA with dual access to global markets and cutting-edge innovation. Shenzhen, with its strong capabilities in technological innovation and industrial application, has created broad scenarios and pathways for the commercialisation of its thriving electronics and new energy vehicle (NEV) industries. Guangzhou, as a major gateway and industrial hub, bolsters regional growth by leveraging its strengths in trade logistics and industrial equipment manufacturing. Meanwhile, cities such as Foshan and Dongguan are central to large-scale

manufacturing and supply chain management, facilitating the mass production of innovative products.

Third, the ongoing enhancement of the GBA transport network underpins Hong Kong's effort to consolidate and strengthen its role as an international hub for shipping, trade, and logistics.

The GBA's transport connectivity has been steadily enhanced ever since the opening of the Hong Kong-Zhuhai-Macao Bridge in 2018, which created a direct connection across the three locations. Major projects such as the Shenzhen-Zhongshan Corridor and the Huangmaohai Cross-sea Channel are well under way, significantly reducing travel time and transportation costs between Hong Kong, the western bank of the Pearl River, and western Guangdong. These improvements are enabling Hong Kong-based enterprises to expand their reach into the Chinese Mainland markets more efficiently. Meanwhile, Hong Kong plans to build an integrated "rail-sea-land-river" multimodal transport system with access to inland provinces and cities. This network will facilitate the seamless transport of goods from the Chinese Mainland's interior via rail, sea, road, and river routes. It will strengthen Hong Kong's competitiveness as a critical node in international supply chains and spur the scale-up and upgrading of industries such as maritime services, high-end logistics, and cross-border trade finance.

2

Four Growth Engines Propelling Hong Kong's Economic Transformation

In the context of the new development landscape, Hong Kong is advancing economic restructuring under the guiding principle of “linking the Chinese Mainland and the rest of the world’s markets while capitalising on complementary advantages.” The city is driving growth through four strategic pillars—finance, I&T, going-global services, and green and sustainable development—that serve as the core engines for enhancing its competitiveness. These four priorities are anchored in Hong Kong’s established strengths as an international financial centre and “super connector,” drawing on its agglomeration of financial resources and its synergistic role within the GBA. At the same time, they align with emerging trends of innovation-driven and sustainable growth, injecting new momentum into Hong Kong’s high-quality economic upgrading and further consolidating its position as an international economic hub.



2.1 Accelerating Fintech innovation to power the upgrading of Hong Kong’s international financial centre

Capital markets supporting China’s new-quality productive forces and accelerating the formation of diverse investment ecosystems

Amid global uncertainty, Hong Kong, leveraging its unique positioning of “Chinese assets + international rules,” emerges as a pivotal hub for cross-border asset allocation. The Hong Kong stock market has staged a strong rebound this year, driven by the renewed global investor confidence in the Chinese market. With the Chinese Mainland’s new economy continuing to generate mega IPOs, international capital has been increasingly channelled into Hong Kong. In the first three quarters of 2025, Hong Kong’s IPO fundraising reached HKD 182.9 billion, ranking first globally. According to HKEX disclosures, as of the end of September, 277 companies (including both Main Board and GEM applicants) were in the pipeline. Meanwhile, with growing depth, breadth, and liquidity, the Hong

Kong bond market has become a key offshore financing platform for issuers in Chinese Mainland, supporting both the internationalisation of RMB and cross-border financing needs. At the same time, Hong Kong is pioneering the development of tokenisation, supporting the Hong Kong SAR Government in successfully issuing the world’s first tokenised green bond - a landmark achievement underscoring the city’s role as a global leadership in sustainable and digital finance.

New listings in Hong Kong present new backgrounds with diverse industries. Newly listed companies span a broad range of sectors, including industrials, finance, consumer goods, healthcare, technology, media and telecommunications (TMT), and new energy. The healthcare sector has been particularly active - 13 companies¹ were listed in the first three quarters of 2025, raising a total of HKD 21.7 billion. Of these, 11 listed under Chapter 18A of the HKEX

Listing Rules, a dedicated pathway for pre-revenue biotech firms. The Hang Seng Biotech Index surged nearly 105% during the same period.

Sources of capital have also become increasingly international and diverse. For the year-to-date, a diverse set of global investors, including long-term funds, private equity and hedge funds, as well as sovereign wealth funds from North America, Europe, and the Middle East, have been actively participating as cornerstone² or institutional investors in Hong Kong IPOs, driving a marked rise in the share of international capital in IPO allocations. Middle Eastern capital is leveraging Hong Kong as a strategic gateway in China’s technology and consumption-upgrade sectors. At the same time, Southeast Asian enterprises and investors are drawn to Hong Kong’s deep capital pool and highly internationalised financial platform. HKEX data show that around 30% of companies currently in the IPO pipeline are from emerging markets such as the

1. Deloitte Q3 2025 Review and Outlook for Chinese Mainland and HK IPO Markets

2. Cornerstone investors are institutional investors that commit to purchasing shares in a Hong Kong IPO prior to the public offering, in a strategic capacity. These investors mainly include banks, insurance companies, hedge funds, sovereign wealth funds, pension funds, large corporate groups, and prominent high-net-worth individuals and their affiliated entities.

Middle East and Southeast Asia. HKEX is also planning to attract companies already listed in these regions to pursue secondary listings in Hong Kong, in a bid to enhance global influence.

Driven by the internationalisation of RMB and the push for green and sustainable development, offshore RMB bonds and green bonds have emerged as key growth drivers of the Hong Kong bond market. In 2024, Hong Kong consolidated its position as Asia's leading bond hub, accounting for nearly 70% of primary bond issuances and 45% of sustainable bond offerings in the region. 1) In response to fluctuations in onshore financing costs and rising demand for overseas

expansion, an increasing number of high-quality Chinese enterprises have been issuing offshore RMB bonds in Hong Kong to finance overseas projects, restructure debt, and hedge exchange-rate risk. In 2024, offshore RMB bond issuance in Hong Kong reached RMB 1.07 trillion, with issuers from sectors such as technology and energy. Since 2021, the Chinese Mainland local governments, including Guangdong Province, Hainan Province and Shenzhen, have issued offshore RMB local government bonds in Hong Kong covering green and blue sustainable bonds to finance green infrastructure, marine conservation and public services. By October this year, cumulative issuance had exceeded RMB 40 billion. 2) Hong Kong

has led Asia's green bond market for seven consecutive years since 2018. In 2024, USD 43.1 billion in green and sustainable bonds were issued in Hong Kong, representing 45% of Asia's total. Since launching its Green Bond Program in 2018 (renamed the Government Sustainable Bond Program in 2024), the Hong Kong SAR Government has cumulatively issued around HKD 240 billion in green bonds as of July 2025. It also became the first in the world to issue two tranches of tokenised green bonds, underscoring Hong Kong's leadership in financial innovation and consolidating its position as the leading green and sustainable finance hub in the Asia-Pacific region.

Table: Offshore RMB government bonds and tokenised green bonds in Hong Kong

	Issuer	Examples
 Offshore RMB government bonds	Local governments in the Chinese Mainland	• From 2021 to September 2025, the Shenzhen Municipal Government issued offshore RMB local government bonds (covering green and blue bonds) in Hong Kong for five consecutive years, with cumulative issuance reached RMB 26 billion. • From 2024 to October 2025, the Guangdong Provincial Government completed two tranches offshore RMB local government bond (covering green and blue bonds) issuances in Hong Kong, cumulatively amounting for RMB 12.5 billion.
 Tokenised green bonds	Hong Kong SAR Government	• In February 2023, the Hong Kong SAR Government issued its first tranche of tokenised green bonds amounting to HKD 800 million, the world's first government-issued tokenised green bonds; • In February 2024, the Hong Kong SAR Government issued its second tranche of tokenised green bonds - the world's first multi-currency tokenised bond offering - denominated in four major currencies (HKD, RMB, USD, and EUR), totalling about HKD 6 billion.

Source: Deloitte Research

Thriving wealth management industry: Global capital converging in the “treasure basin”

As Asia's leading private wealth management centre, Hong Kong continues to provide strong impetus to local economic growth through its substantial AUM and increasing international capital inflows. As of the end of 2024, AUM in Hong Kong's asset and wealth management industry reached HKD 35.1 trillion, up 13% year-on-year, with net inflows surging 81% to a record high. Private banking and wealth management AUM grew 15% year-on-year to HKD 10.4 trillion, placing Hong Kong ahead of Singapore and second only to Switzerland in global cross-border wealth management.

Safe-haven flows of international capital and positive policy measures introduced by the Hong Kong SAR Government release structural dividends.

Its stable financial system and robust legal and business framework make Hong Kong a reliable “safe haven” amid global market volatility, continuing to attract sustained international capital inflows. The government's rollout of the New Capital Investment Entrant Scheme (New CIES), together with tax incentives and enhancements to the Cross-boundary Wealth Management Connect Scheme, has provided fresh growth momentum by attracting asset owners and high-net-worth individuals to relocate and invest in Hong Kong. The new Family Office Tax Concession Ordinance grants profits tax exemptions to eligible single family investment holding companies, while Wealth Management Connect 2.0, launched in February 2024, increased the individual investor quota to RMB 3 million, lowered entry thresholds for southbound investors, and broadened the scope of eligible institutions and products, further facilitating cross-border investment flows.

Hong Kong's distinct advantages are attracting family offices and global wealth management institutions to accelerate the expansion of their business territories in the city.

The FamilyOfficeHK team, established by InvestHK in June 2021, is dedicated to promoting the development of the local family office ecosystem. Currently, Hong Kong is home to over 2,700 single-family offices, more than half founded by ultra-high-net-worth individuals with investment assets of over USD 50 million. Family offices have become an integral part of Hong Kong's financial sector. International financial institutions are also scaling up their presence: In the past two years, major private banks added nearly 400 employees (a 12% increase), and several global banks and asset managers plan to increase headcount by 10% to 100% in the coming years, underscoring their confidence in the long-term growth of Hong Kong's asset and wealth management industry. Meanwhile, the Chinese Mainland financial institutions in Hong Kong are also expanding their cross-border wealth management capabilities, leveraging Hong Kong's role as a “super connector” to bridge the mainland and international markets. Together, they are enriching product and service offerings under the Wealth Management Connect scheme to meet the growing demand for offshore asset allocation from the Chinese Mainland's high-net-worth clients.

Fintech innovation linking traditional finance and the digital future: Building a testing ground for new paradigms of digital financial regulation

Since 2022, the Hong Kong SAR Government has actively embraced Web3.0, identifying virtual assets and Web3.0 development as key strategic priorities in its drive to establish Hong Kong as a global virtual asset hub and

a leading centre for digital economic innovation. Amid the rapid rise of global digital assets and increasingly divergent regulatory regimes worldwide, Hong Kong has adopted a prudent approach - embracing innovation underpinned by a sound regulation - to seize a first-mover advantage and reinforce its status as an international financial centre.

Hong Kong is committed to building a world-leading digital asset hub underpinning by a robust digital asset ecosystem.

On June 26, the Hong Kong SAR Government released the *Policy Statement 2.0 on the Development of Digital Assets* in Hong Kong, reaffirming its ambition to establish the city as a world-leading digital asset hub. The policy introduces the “LEAP” framework, which built around four pillars: “L”egal and regulatory streamlining, “E”xpanding the suite of tokenised products, “A”dvancing use cases and cross-sectoral collaboration, and “P”eople and partnership development. Hong Kong is establishing a comprehensive regulatory regime covering digital asset trading platforms, digital asset services, and custody services, while also conducting legal reviews to advance Real-world Asset (RWA) tokenisation. The passage of the Stablecoin Ordinance by the Legislative Council marks a significant milestone, introducing a formal licensing regime for stablecoin issuers effective August 2025, and further strengthening the city's digital asset regulatory framework.

Hong Kong has made significant progress in asset tokenisation development. In 2023 and 2024, the Hong Kong SAR Government issued two tranches of tokenised green bonds; in July 2023, OSL, a licensed broker regulated by the HK SFC, completed the first Security Token

Offering (STO), demonstrating the feasibility of fundraising via tokenised assets. In 2025, Hong Kong launched the world's first RWA platform and introduced a stablecoin issuer sandbox to explore applications of a Hong Kong dollar-based stablecoin. These digital

innovations provide investors in Hong Kong with a regulated environment to access digital assets. The growing convergence of digital assets and traditional finance, underpinned by tokenisation innovation, is expected to enhance financing efficiency, diversify

financing channels, and attract a new wave of international investors. Together, these developments are poised to inject renewed momentum into Hong Kong's evolution as a preeminent global financial centre in the digital age.



2.2 Deepening cross-border regional cooperation to power I&T as a new engine of economic growth

Hong Kong-Shenzhen-Guangzhou cluster rising to the top of global innovation rankings, unlocking vast potential for cross-border collaborative innovation

In 2025, the “Shenzhen-Hong Kong-Guangzhou” cluster surpassed Japan’s “Tokyo-Yokohama” to claim the top spot in the World Intellectual Property Organisation’s Global Innovation Index (GII) cluster rankings. This achievement underscores the growing maturity of cross-border collaborative innovation mechanisms between Hong Kong and the Chinese

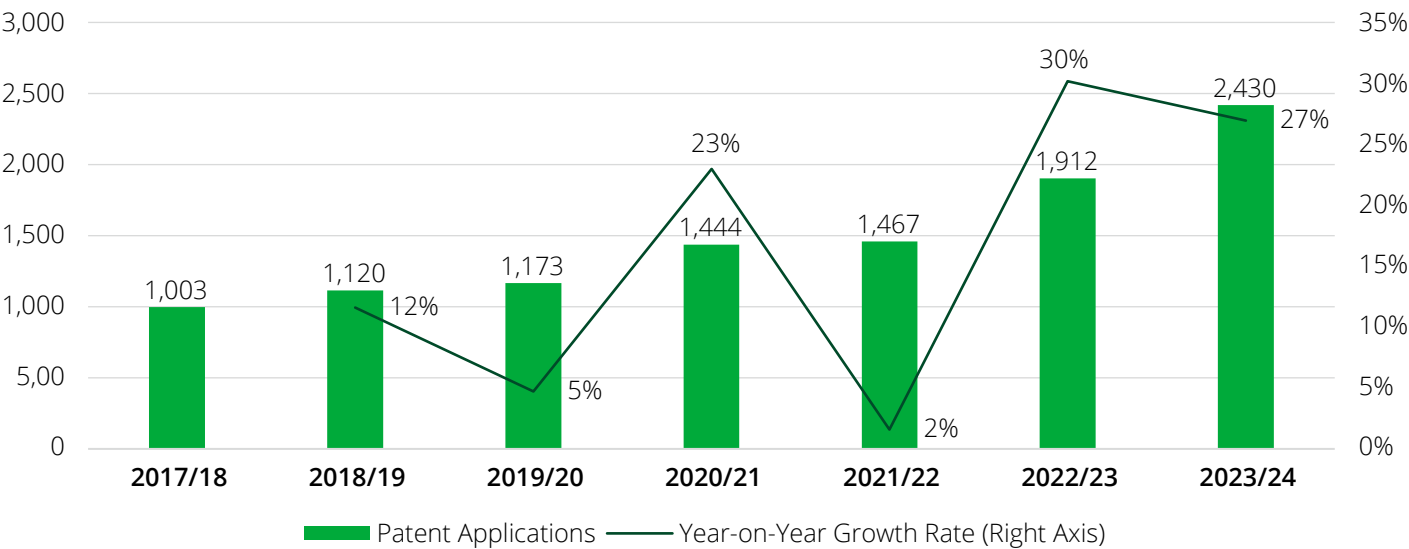
Mainland. The partnership model known as “research in Hong Kong and Macao, with commercialisation in the Chinese Mainland” has effectively harnessed complementary strengths, demonstrating vast potential for cross-border technological collaboration and industrial upgrading.

Hong Kong has internationally leading strengths in fundamental research, and its university-led R&D ecosystem is thriving.

During the 2023/24 academic year, Hong Kong’s universities collectively

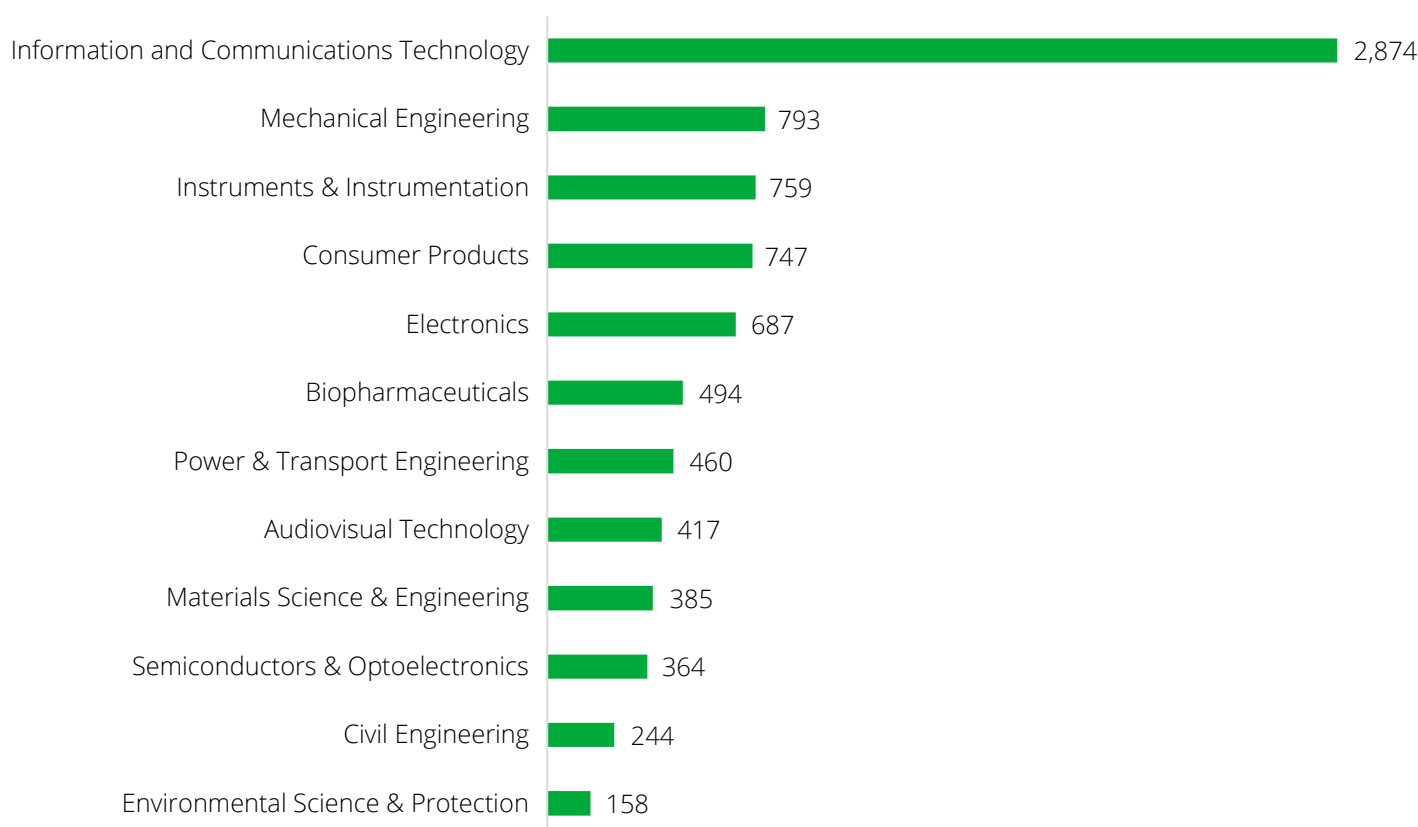
filed 2,430 patent applications, representing a robust 27% year-on-year increase. These patent filings are predominantly concentrated in information and communications technology, mechanical engineering, instrumentation, electronics, and biomedicine-core tracks that align closely with Hong Kong’s strategic priorities in I&T development. This alignment provides a clear roadmap for subsequent industrialisation and commercialisation.

Figure: Patent Applications and Growth among Hong Kong Universities



Source: University Grants Committee (UGC), The Chinese University of Hong Kong (CUHK), City University of Hong Kong (CityUHK), Hong Kong Baptist University (HKBU)

Figure: Distribution of Hong Kong Granted Patents by Technology Area (2018–2023)



Source: World Intellectual Property Organisation (WIPO)

Accordingly, the GBA holds a core advantage in scaling innovation from concept to mass application.

Guangdong, as the “world’s factory,” offers a complete industrial ecosystem spanning electronics, equipment manufacturing, and biomedicine, supporting enterprises in efficient sourcing and rapid mass production. Meanwhile, the vast market demand of the Chinese Mainland continues to attract I&T talent from Hong Kong and Macau, creating strong incentives for cross-border collaboration. This complementary model of “R&D in Hong Kong, followed by commercialisation in the Chinese Mainland” addresses structural gaps and builds a fully integrated innovation chain.

In practice, the rise of drone giant DJI illustrates this model of collaborative innovation within the GBA. The company’s founding team and core technology originated at the Hong Kong University of Science and Technology, and it later located its R&D and manufacturing centres in Shenzhen. This strategic move enabled the company to leverage the Pearl River Delta’s comprehensive electronics supply chain, supporting rapid product iteration and scalable production. As the firm expanded globally, Hong Kong’s role as an international financial centre provided access to global capital and markets, while the Chinese Mainland offered a vast market for product application

and adoption. DJI’s story illustrates the synergies between Hong Kong’s strengths in fundamental research and international talent, and the Chinese Mainland’s comprehensive industrial chains, robust manufacturing capability, and dynamic markets - a vivid example of the GBA’s collaborative innovation in practice.

Hong Kong and the Chinese Mainland are accelerating the development of innovation platforms to further deepen cross-border collaboration.

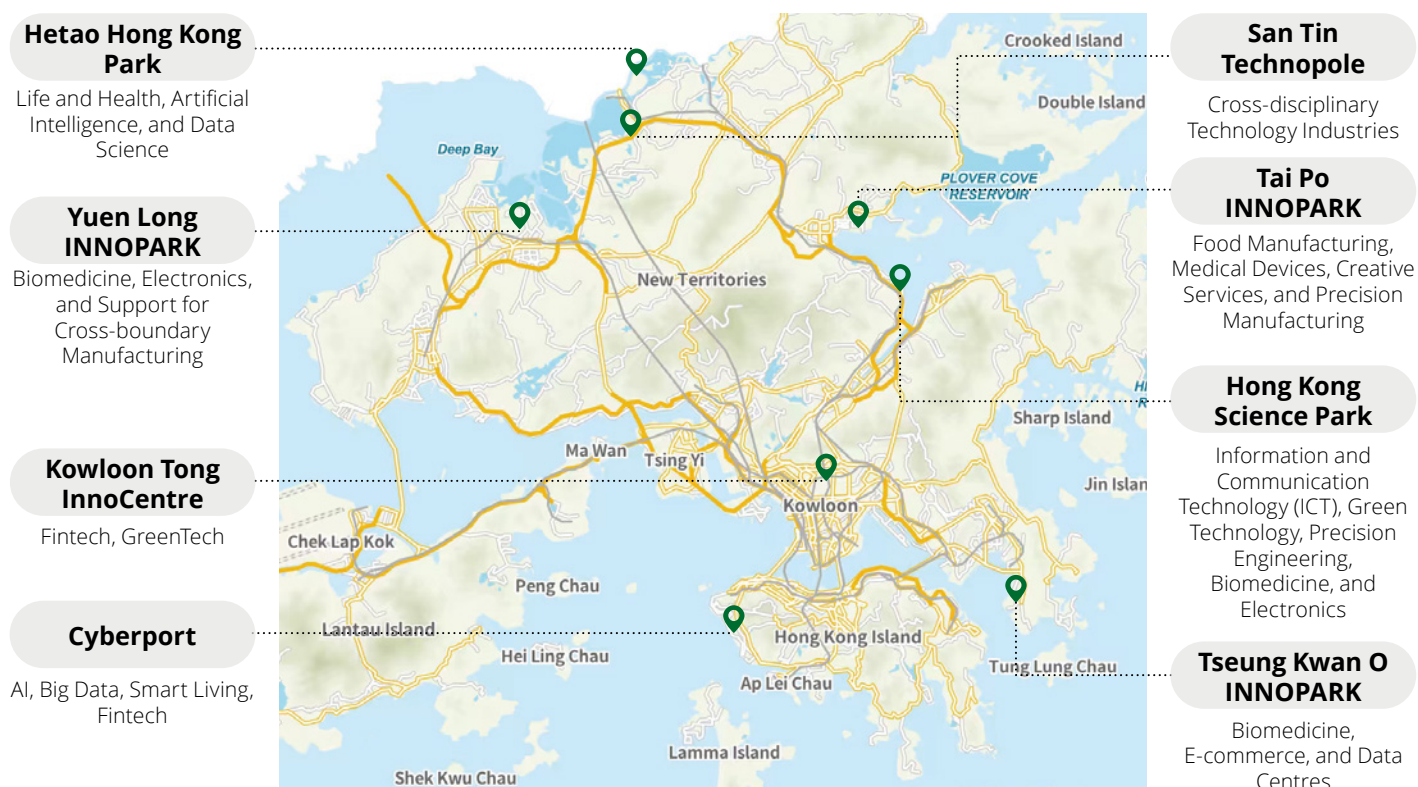
The Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone, a flagship cross-border innovation platform, has made

significant progress in recent years. The Shenzhen Section has evolved into one of the most innovation-dense hubs within the GBA, hosting more than 200 cutting-edge research projects, 447 technology enterprises, and over 15,000 research talent. It has also become a hub for Shenzhen-Hong Kong collaborative innovation projects, attracting 65 Hong Kong research institutions and enterprises, including the Hong Kong Applied Science and Technology Research Institute (ASTRI) and the Asian Academy of Anti-Aging Research and Translational Medicine (AAAR). Furthermore, the first branch of the Hong Kong Science and Technology Parks (HKSTP) in the Chinese Mainland has attracted nearly

70 technology enterprises, while five leading Hong Kong universities, including The University of Hong Kong and The Hong Kong University of Science and Technology, are partnering with Shenzhen counterparts to jointly advance 13 major research initiatives. The highly developed innovation ecosystem in the Shenzhen Section has gained broad recognition from multinationals, with eight Fortune 500 companies-including the Apple Applied Research Laboratory and STMicroelectronics' Global Packaging and Testing Innovation Centre-having established R&D centres in the Section. On the Hong Kong side, the SAR government is expediting development of its Section of the Cooperation Zone.

The first three buildings of Phase I have already been completed, with tenants from strategic industries such as life and health sciences, microelectronics, new energy, and AI gradually moving in. Upon its official opening in 2025, the Hong Kong Section will become a key hub for research, development, and pilot testing, leveraging its strategic location that links Shenzhen to the north and San Tin Technopole to the south. Looking ahead, the Hetao Cooperation Zone is expected to further facilitate cross-border flows of innovation resources and become a key engine for driving Hong Kong's economic transformation and its development into an international innovation and technology hub.

Figure: Distribution of I&T Parks in Hong Kong



Source: Deloitte Insights

Hong Kong is focusing on high value-added industries to drive “new industrialisation” amid high land costs

Life and health sciences, AI and data science, advanced manufacturing, and new energy technologies have become Hong Kong's priority industries in advancing “new industrialisation,” amid the constraint of high land costs. Despite its internationally leading strengths in fundamental research, Hong Kong faces bottlenecks in the commercialisation of research findings due to insufficient laboratory facilities and high land prices. To address these constraints, Hong Kong is prioritising high value-added industries to drive “new industrialisation.” In December 2022, the Hong Kong SAR Government set out in its I&T Development Blueprint that it would prioritise strategic industries such as life and health sciences, AI and data science, advanced manufacturing, and new energy technologies. These industries, characterised by high profit margins and technological sophistication, are less sensitive to Hong Kong's high production costs and are well-positioned to harness the city's abundant pool of R&D talent. This in turn is driving the growth of high value-added industries such as R&D, design, and innovation.

At the R&D level, Hong Kong is restructuring its network of public research institutions to reinforce

focus and synergy across strategic fields. Key initiatives include the establishment of the Hong Kong Microelectronics Research and Development Institute (MRDI) in 2024 to develop core third-generation semiconductor technologies; HKD 6 billion for local universities to establish a Life and Health Research Institute; HKD 1 billion earmarked to set up the Hong Kong AI Research Institute; and the merger of ASTRI and the Nano and Advanced Materials Institute (NAMI) to strengthen application-oriented R&D capacity. In addition, in the 2025 Policy Address, the government proposed to step up the development of the third “InnoHK” research platform, focusing on sustainable development, energy, advanced manufacturing, and materials. Together with the two existing InnoHK platforms in healthcare technologies, AI, and robotics, the initiative now spans all the three strategic technology sectors.

At the commercialisation stage, Hong Kong is continuously refining a suite of funding initiatives to support industrial application. Notably, in September 2024, the government launched the HKD 10 billion New Industrialisation Acceleration Scheme (NIAS). Under a 1:2 matching arrangement (government to enterprise), the scheme funds companies in life and health sciences, AI and data science, advanced manufacturing, and new energy technologies for establishing state-of-the-art smart production

facilities in Hong Kong. In September 2025, the minimum total project cost requirement was lowered from HKD 300 million to HKD 150 million.

This whole-chain development model fosters a virtuous cycle of “market demand - R&D innovation - reinvestment of returns,” helping to build deeper, high-value industrial chains in sectors such as life sciences, AI, and advanced manufacturing, and enhancing Hong Kong's international competitiveness.

Hong Kong is accelerating the development of the Northern Metropolis through systematic institutional breakthroughs, building a new engine for innovation

The Northern Metropolis is positioned as a pivotal platform for advancing Hong Kong's I&T sector and deepening cross-border regional cooperation. However, progress in its development has been relatively slow in recent years. In response, the 2025 Policy Address introduced a series of decisive policy measures and institutional reforms, ranging from top-level design to implementation mechanisms, aimed at accelerating progress and enhancing efficiency. These efforts are intended to transform the Northern Metropolis into a new I&T engine to drive Hong Kong's economic transformation and high-quality growth.

Table: Key Government Initiatives to Accelerate the Development of the Northern Metropolis

Policy Highlights	Key Breakthrough Arrangements	Strategic Significance for I&T Development
 High-level Coordination Framework	Establishment of the Committee on Development of the Northern Metropolis, chaired by the Chief Executive, with three Secretaries of Departments each leading a task force on industrial development, University Town development, and land and infrastructure planning	The measure removes barriers to interdepartmental coordination, enabling centralised, high-level coordination and ensuring efficient implementation of development plans
 Industry-linked Land Policy	A transition from the traditional “highest-bid-wins” tendering model to a “dual-envelope mechanism,” evaluating not only financial bids but also the technological merits and industrial development benefits of proposals	This ensures that land allocation is aligned with the region's I&T strategy, fostering synergistic industry clusters instead of speculative property development
 Dedicated Legislation and Flexible Mechanisms	Introduction of dedicated legislation for the Northern Metropolis to authorise the establishment of a statutory park corporation, streamline procedures, and facilitate cross-border flows of data and biological samples	By legal means, it removes regulatory barriers and provides institutional safeguards for a convenient cross-border research environment and efficient approval processes essential for I&T development
 “Proactive Government + Efficient Market” New Paradigm	Launch of tailored incentive packages (e.g. tax concessions and land allocation) to attract target enterprises, while exploring diversified financing models such as land-based equity participation	Marks a shift from a “big market, small government” approach towards proactive government facilitation, fostering a dynamic innovation ecosystem and reducing the cost of enterprise establishment and operation
 Clear Industrial Priorities and Spatial Planning	Designation of San Tin Technopole as a hub for strategic sectors: life and health technologies, AI and robotics, advanced manufacturing, and new energy technologies	The measure maximises the use of scarce land resources, creating an integrated innovation and living community that attracts world-class talent and enterprises

Source: The Chief Executive's 2025 Policy Address, Deloitte Insights

The 2025 Policy Address introduces a transformative set of policies for the Northern Metropolis, reflecting a fundamental shift in the Hong Kong SAR Government's strategy to promote I&T development. The most notable breakthrough lies in institutional reform. By establishing a high-level committee chaired by the Chief Executive and exercising legislative authority to enact dedicated legislation, the government has demonstrated strong resolve to dismantle entrenched long-standing barriers and place I&T development at the forefront of its agenda for the Northern Metropolis. Secondly, the government is implementing targeted measures for innovation actors and factors to invigorate the overall I&T ecosystem. Examples include fostering collaboration among enterprises, universities, and research institutes through a "University Town" initiative to align scientific research with business needs; and introducing dedicated legislation to safeguard cross-border data flow, addressing practical bottlenecks involved in I&T research. Thirdly, the government is intensifying its guidance and support for industries by proactively formulating sectoral policies and offering tailored incentives to attract and nurture key I&T enterprises. If effectively implemented, these policies have the potential to fundamentally reshape Hong Kong's I&T ecosystem and accelerate the city's transition toward an innovation-driven economy.

Hong Kong is making financing channels more accessible and diversified, with a significant capital leverage effect

In recent years, Hong Kong's financing system has been undergoing rapid diversification and all-round development, creating a more comprehensive investment ecosystem. Historically, the local I&T sector relied primarily on government funding, while market-oriented institutions had limited appetite for early-stage projects. Today, Hong Kong is actively building an industrial fund guidance system to mobilise private capital toward strategic emerging and future industries.

The Hong Kong Investment Corporation (HKIC) was established as a provider of "patient capital," focusing on high-growth I&T enterprises and achieving significant capital leverage.

Established by the Hong Kong SAR Government in October 2022, the HKIC operates under a dual mandate: to pursue sustainable medium- to long-term returns while fostering I&T industry development. It serves as the core platform for investment and financing within the city's innovation ecosystem. Managing HKD 62 billion in AUM through portfolios such as the "Hong Kong Growth Portfolio," "Greater Bay Area Investment Fund," and "Strategic Tech Fund," the HKIC concentrates on three key sectors - hard technology, life and health technologies, and new energy

& green technology. As of September 2025, the HKIC had invested in over 130 companies, including two already listed on the HKEX and five that had reached unicorn status prior to listing. Each HKD invested by the HKIC has leveraged over HKD 5 of long-term market co-investment, demonstrating strong leverage in mobilising private capital.³

Looking ahead, Hong Kong will further develop fund-of-funds vehicles to guide market capital into strategic emerging and future industries. The HKD 10 billion "Hong Kong Innovation and Technology Industry-Oriented Fund" (ITIF), announced by the Hong Kong SAR Government in 2024, is designed to mobilise private investment into life and health technologies, AI and robotics, semiconductors and intelligent equipment, advanced materials, and new energy, systematically building an I&T industrial ecosystem. Scheduled for launch in 2026–27, the fund will serve as a critical bridge between government strategic intent and market capital.

The coordinated "finance + innovation" dual engine model has effectively underpinned technological innovation in Hong Kong. In the initial stages of technology commercialisation, government funding programs play a pivotal role in turning research outcomes into applications. As enterprises grow, sustained financial support is provided by market-oriented

3. HKIC: Invested in over 130 companies, <https://www.guandian.hk/article/20250929/514679.html>

capital mobilised by patient investors and guidance funds such as the HKIC and related funds. At later stages, capital continuity is ensured through private equity, mergers and acquisitions (M&As), IPOs, and refinancing channels. This all-stage financing framework ensures that I&T talent and enterprises have access to appropriate financial

resources at every stage of their development, markedly enhancing Hong Kong's competitiveness and appeal as an I&T hub.

However, overall, market-based investment funds in Hong Kong remain relatively conservative in their risk appetite, favouring mature enterprises

that have already achieved scale or validated business models. As such, there is a pressing need to further encourage the Chinese Mainland and international funds with experience in I&T investment to participate in early-stage ventures, leveraging global capital to support I&T development in Hong Kong.



2.3 Seizing new opportunities in the global expansion of Chinese Mainland enterprises and consolidating Hong Kong's role as a strategic gateway for their globalization

Enhancing innovation connectivity and promoting green transition to refine the “Incubation in the Chinese Mainland + Services in Hong Kong + Global Market” model

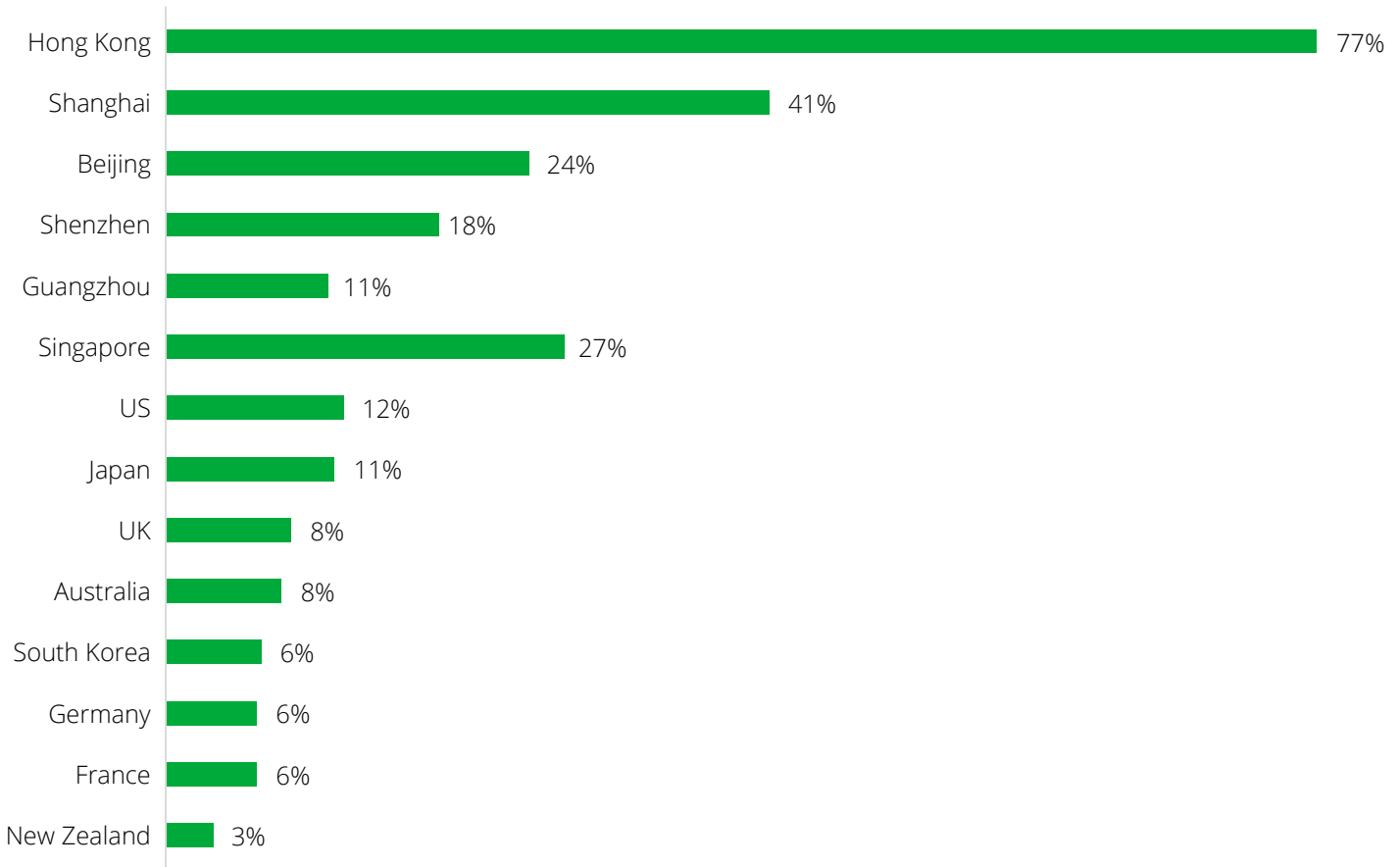
Chinese Mainland enterprises are entering a new stage of global expansion, evolving from traditional product trade and resource acquisition to the multidimensional export of technology, brands, and management capabilities. This transformation calls for a hub platform that combines

global connectivity with seamless access to the Chinese Mainland. Leveraging its distinct competitive advantages, Hong Kong is emerging as the pivotal platform for this role. According to the 2024 Hong Kong Trade Development Council (HKTDC) survey, 93.9% of Chinese Mainland enterprises reported challenges in their overseas expansion- such as insufficient market demand, heightened geopolitical risks, and financing constraints- a sharp increase

from 83.9% in 2023. Moreover, 77.2% of these enterprises indicated that they would turn to Hong Kong for the services needed to support their international operations. These findings highlight that today's global business environment demands stronger holistic competitiveness, with Hong Kong emerging as the preferred service platform for Chinese Mainland enterprises seeking to go global.

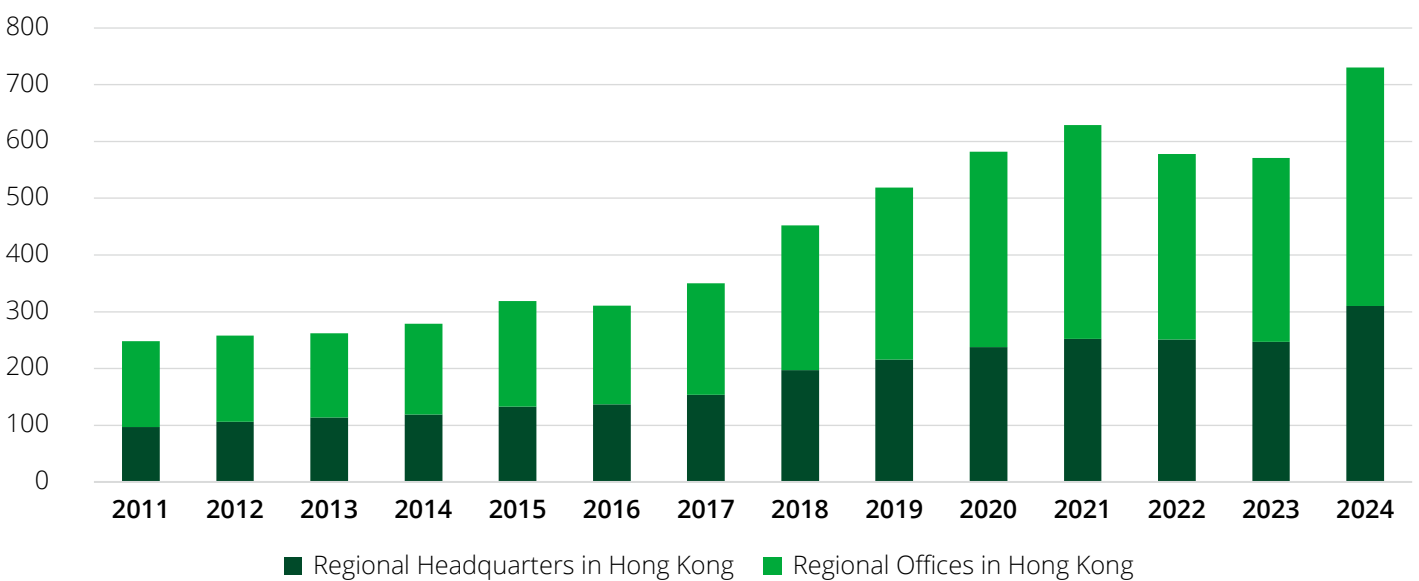


Figure: Preferred Destinations for Chinese Mainland Enterprises Seeking Support Services for Global Expansion



Source: 2024 HKTDC Survey, <https://beltandroad.hktdc.com/sc/insights/hong-kong-mainland-enterprises-preferred-platform-going-out-2024-yrd-survey-results>

Figure: Number of Regional Headquarters and Offices in Hong Kong of Enterprises with Parent Companies in the Chinese Mainland



Source: Census and Statistics Department, Hong Kong SAR Government

Hong Kong's well-developed international capital markets and comprehensive professional services ecosystem have long been its traditional strengths in facilitating Chinese Mainland enterprises in going global.

Enterprises can raise capital in international markets by issuing stocks and bonds via Hong Kong's financial platform; diversify their global asset portfolios with equities, ETFs, and fixed-income instruments; and leverage a wide range of financial derivatives - including stock index and single-stock options, as well as currency and interest rate futures- to manage cross-border risks effectively. In addition, Hong Kong hosts a large concentration of leading accounting, legal, and consulting firms, offering enterprises pursuing global expansion comprehensive professional support, ranging from strategic planning and M&A advisory to tax optimisation. Its common law system is highly compatible with the judicial practices of major global economies, while arbitration awards rendered in Hong Kong are enforceable in more than 170 jurisdictions that are signatories to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Together, these institutional strengths provide enterprises with a reliable and secure environment for cross-border investment and business collaboration.

As Chinese Mainland enterprises increasingly focus on exporting comprehensive capabilities such as technology, branding, and management, innovation connectivity and green transition are emerging as new priority areas for Hong Kong in strengthening its role as a global service platform.

On the innovation front, China's industries have demonstrated rising vitality, with an increasing number of technology enterprises going global to capture new opportunities. Leveraging abundant international research resources, an open innovation support ecosystem, and a common law system highly compatible with international intellectual property regimes, Hong Kong is uniquely positioned to support technology companies from the Chinese Mainland in accessing global markets and fostering international technology collaboration. A notable example is the establishment of "The Cradle – Going Global Service Centre" by the Hong Kong Productivity Council (HKPC) in April 2025. The initiative, developed in collaboration with three major innovation hubs in the Chinese Mainland - namely, the Zhongguancun Beijing-Hong Kong-Macao Youth Innovation and Entrepreneurship Centre (Beijing-Tianjin-Hebei), the Yangtze River Delta National Technology Innovation Centre, and the National Technology Innovation Centre for the Guangdong-Hong Kong-Macao Greater Bay Area- serves tens of

thousands of enterprises, helping them access international market resources and channels. Moving forward, Hong Kong can join hands with partners to shape a new paradigm of "Incubation in the Chinese Mainland + Services in Hong Kong + Global Market" offering end-to-end support from technology validation to overseas implementation, thereby enabling more enterprises to go global with higher quality.

Meanwhile, Environmental, Social, and Governance (ESG) considerations have become a critical factor for Chinese Mainland enterprises in expanding internationally. Many countries are advancing sustainable development policies and regulations, and international clients increasingly regard sustainability standards as a criterion in their purchasing decisions. As Asia's largest green finance centre and a leading benchmark in ESG practices, Hong Kong offers end-to-end services ranging from strategic ESG planning and carbon reduction roadmap design to sustainability reporting. Its core strengths lie in three key areas: i) a high degree of international alignment - Hong Kong has adopted the International Sustainability Disclosure Standards (ISDS) issued by the IFRS Foundation's ISSB, enabling seamless compliance with global benchmarks and helping Chinese Mainland enterprises avoid compliance challenges arising from divergent standards; ii) a mature

professional ecosystem, with a high concentration of leading legal, sustainability and advisory institutions and experts; iii) strong green finance advantages - Hong Kong has topped Asia in green bond issuance for seven consecutive years and, through initiatives such as the Green and Sustainable Finance Grant Scheme, helps enterprises lower financing costs, attract international capital, and drive their green transition. Capitalising on these advantages, Hong Kong is well positioned to help transform ESG from a mere regulatory requirement

into a strategic differentiator, enabling Chinese Mainland enterprises to build sustainable competitive advantage in global markets.

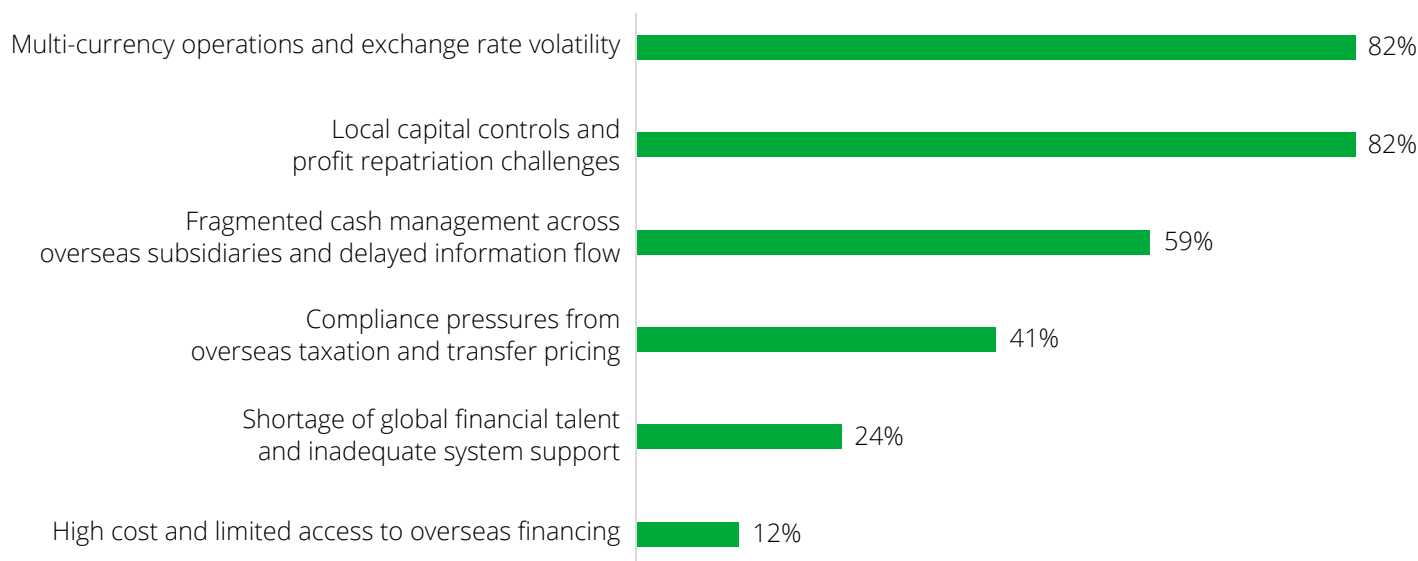
Attracting Chinese Mainland enterprises to establish corporate treasury centres in Hong Kong will reinforce the city's role as a core hub for facilitating efficient global capital allocation and boosting international competitiveness

As Chinese Mainland enterprises accelerate their going-global efforts and expand overseas operations,

multinational companies face key challenges, including managing overseas capital and market risks, strengthening group-wide liquidity, and improving returns on funds. Against this backdrop, establishing offshore treasury management centres in a leading international financial hub has emerged as an inevitable trend. Leveraging its unique advantages, Hong Kong stands out as the preferred location for Chinese Mainland enterprises to set up offshore corporate treasury centres to support their global business expansion.

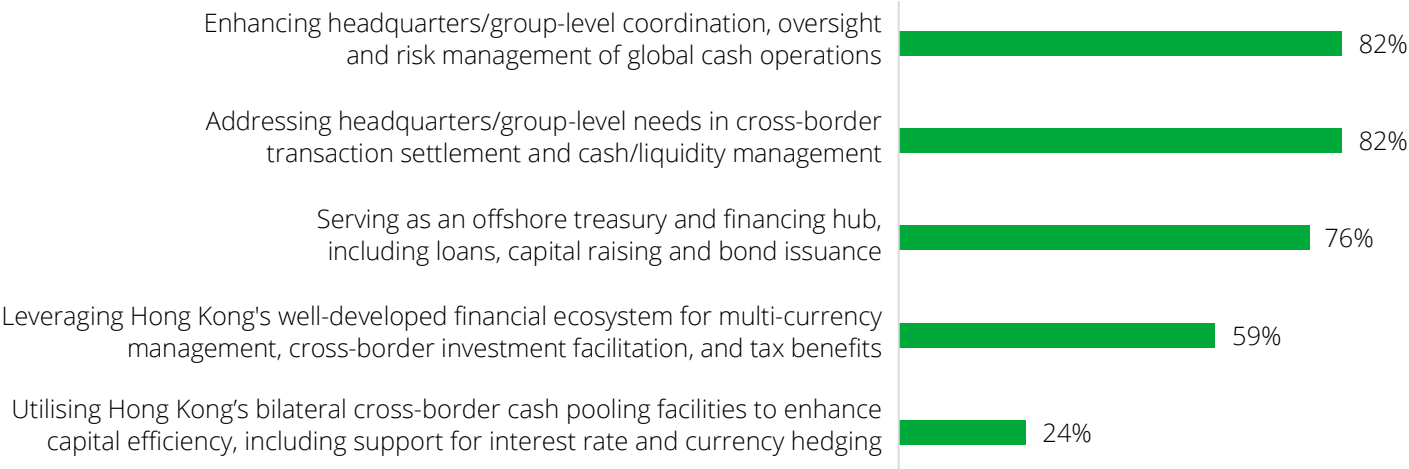
Figure: Key Capital Management Challenges Facing Chinese Mainland Enterprises in Overseas Expansion

In your opinion, what are the key pain points in capital management for Chinese Mainland enterprises in their going global?



Source: Hong Kong Chinese Enterprises Association Survey; Deloitte Insights

Figure: Key Objectives of Chinese Mainland Enterprises in Establishing Corporate Treasury Centres in Hong Kong
What are the key drivers for establishing your company's treasury centre in Hong Kong?



Source: Hong Kong Chinese Enterprises Association Survey; Deloitte Insights

First, Hong Kong offers a world-class financial ecosystem that provides multinational enterprises with secure and efficient payment and settlement services, together with a diversified range of financial products. Its robust and mature financial system underpins Hong Kong's role as a world-leading wealth management centre and a major offshore renminbi hub. The city brings together top-tier financial institutions- including banks, securities firms, and insurance companies- offering diversified financial services and financing support. Its transparent

regulatory regime and the absence of foreign exchange controls allow for the free flow of lawful funds, maximising convenience for cross-border transactions. Moreover, Hong Kong's advanced financial infrastructure, featuring one of Asia's most sophisticated payment and settlement systems, enables real-time gross settlement in HKD, USD, EUR, and RMB through six cross-currency links that facilitate payment-versus-payment (PvP) settlement, thereby enhancing efficiency and mitigating risks from time-zone differences in cross-border foreign exchange transactions.

Second, Hong Kong offers tax concessions for corporate treasury centres, significantly reducing the cost of capital pooling compared with operations in the Chinese Mainland. For example, for Hong Kong-based groups engaging in intragroup financing activities (including corporate treasury centres), interest expenses payable to overseas affiliates may be deductible, subject to certain conditions and anti-avoidance rules. In addition, eligible corporate treasury centres benefit from a concessionary profits tax rate of 8.25% (i.e. half of the standard rate). In contrast, no specific tax concessions

are available in the Chinese Mainland for corporate treasury centres, where treasury-related income remains subject to the 25% corporate income tax rate. Moreover, interest deductions are further constrained by transfer pricing and thin capitalisation rules, leading to comparatively higher costs.

At present, Hong Kong is entering a strong growth phase in the development of corporate treasury centres, with multinational corporations actively establishing strategic hubs to optimise global capital allocation and enhance competitiveness. Data from the Treasury Centre Committee of the Hong Kong Chinese Enterprises Association (HKCEA) highlight this momentum: as of April 2025, its 43 member companies collectively manage over USD 240 billion in assets, with combined financing volumes exceeding USD 100 billion, annual fund settlements approaching USD 3 trillion, and group-level cash pooling reaching USD 57 billion. The Hong Kong SAR Government is stepping up efforts to attract more Chinese Mainland enterprises to establish corporate treasury centres in the city. According to the 2025 Policy Address, the government has announced plans to complete its review on optimising

tax concessions by mid-2026, with a view to further strengthening Hong Kong's attractiveness as a location for Chinese Mainland enterprises to set up corporate treasury centres.

Chinese Mainland enterprises are accelerating their expansion into emerging markets, with Hong Kong serving as a “super connector” through its extensive international business network

Amid profound changes in the global geopolitical landscape, enterprises from the Chinese Mainland are actively expanding into emerging markets, with ASEAN, Latin America, and the Middle East becoming key destinations for investment in recent years. The scale of investment continues to grow, while the scope has broadened rapidly from traditional trade to high-end manufacturing, the digital economy, and green energy. In this process, Hong Kong draws on its internationalised business ecosystem and global resource connectivity to build a multi-tiered, professional trade support network. This positions Hong Kong as a pivotal hub for Chinese Mainland enterprises engaging with emerging markets, further underscoring its value as a “super connector.”

In terms of service support, Hong Kong's core strengths lie in two key dimensions: “precise resource matching” and “scenario-based partnership building.” On the one hand, the HKTDC maintains a global network of 51 offices, spanning Southeast Asia, the Middle East, and other emerging markets. These offices provide enterprises with localised business advice and policy guidance, helping to reduce barriers to cross-border operations. On the other hand, Hong Kong hosts high-level industry forums and international exhibitions that serve as effective platforms for engagement between Chinese Mainland enterprises and stakeholders in emerging markets. As a prime example, the Belt and Road Summit, organised in Hong Kong in September 2025, brought together more than 6,200 government and business representatives from over 70 countries and regions. The summit facilitated the signing of 45 MOUs involving the Chinese Mainland, ASEAN, and Middle Eastern economies, showcased more than 300 quality investment projects, and arranged over 800 one-on-one project matchmaking sessions, underscoring Hong Kong's strong capability in global resource integration.

Looking ahead, Hong Kong will strategically focus on emerging markets, offering systematic support to Chinese Mainland enterprises through institutional alignment, infrastructure connectivity, and service integration.

First, Hong Kong will strengthen institutional linkages with the "Global South." According to the 2025 Policy Address, plans in place to explore new investment agreements with Saudi Arabia, Bangladesh, Egypt, and Peru; to establish an Economic and Trade Office in Kuala Lumpur;

to step up trade and economic promotion efforts across ASEAN and neighbouring economies; and to expand the network of trade offices to Latin America and Central Asia, thereby providing enterprises with a broader framework for policy cooperation. Second, Hong Kong will advance infrastructure connectivity by establishing partner port relationships with the Chinese Mainland and Belt and Road economies of strategic importance. These initiatives aim to optimise cross-border logistics and create more efficient and resilient

supply chain corridors. Third, Hong Kong will build an integrated trade and investment service platform that links the Economic and Trade Office, Invest Hong Kong, and the overseas offices of the HKTDC. This will take the form of the "Trade and Investment One-Stop Platform" which consolidates interdepartmental resources to provide coordinated and accessible support, effectively reducing the costs and risks for enterprises expanding into emerging markets.



2.4 From a green finance centre to a hub for green transition- accelerating the decarbonisation of carbon-intensive industries in the region

The global green transition has evolved beyond a purely environmental agenda into a new threshold for market access, exerting decisive impact on capital flows, supply chain governance, and trade conditions. Yet, carbon-intensive industries such as manufacturing, construction, and transportation continue to face three structural barriers: inadequate transition financing, fragmented carbon market frameworks that weaken price signals and constrain capital mobility, and the limited commercialization of decarbonisation technologies. Together, these barriers represent the critical bottlenecks impeding progress in the global green transition.

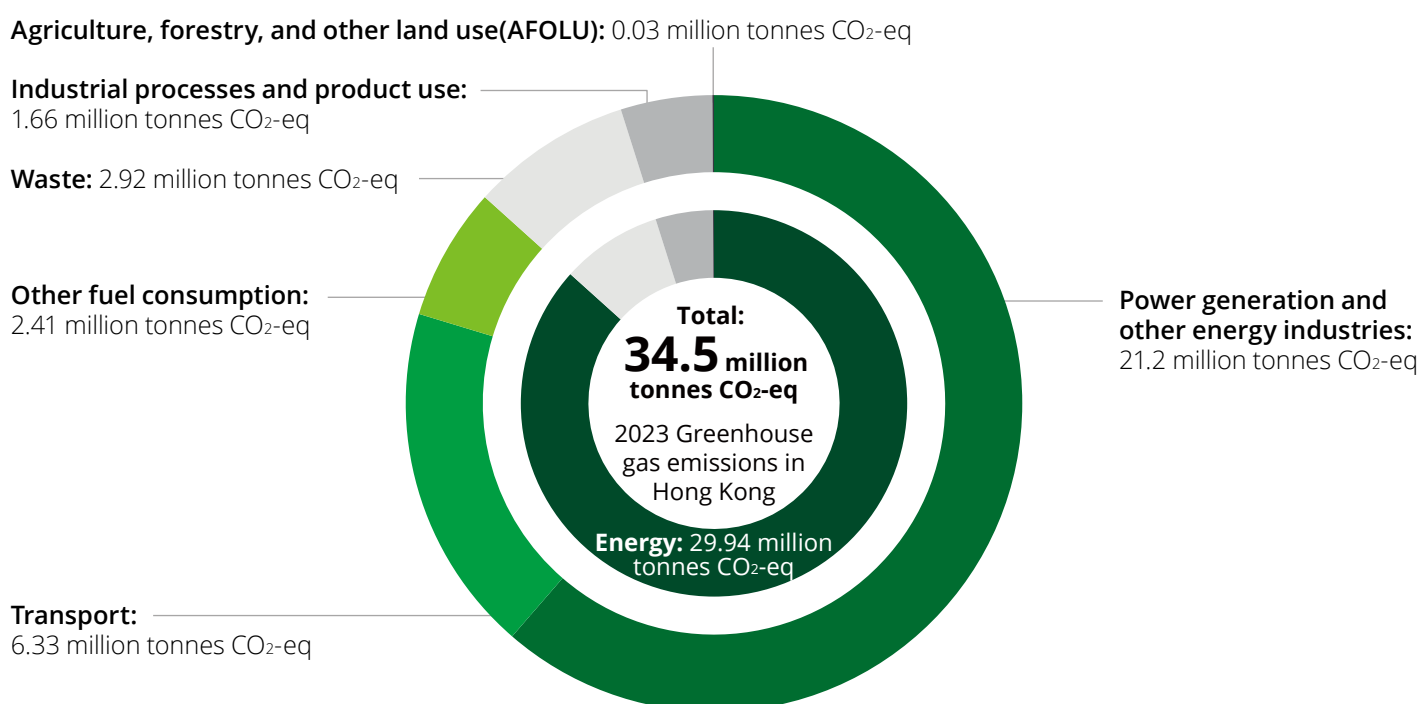
Situated at the intersection of the Chinese Mainland and international capital and regulatory systems, Hong Kong is strategically positioned to drive emission reduction in carbon-intensive industries. This aligns not only with its own low-carbon development goals but also supports its evolution into a regional hub for green transition through demonstration projects in carbon-intensive sector. Hong Kong's carbon emissions are concentrated in building operations and transport. Electricity generation accounts for around 60% of total emissions, with about 90% attributable to building energy use, while transportation contributes roughly 18%. Transitioning these carbon-intensive sectors is therefore critical for Hong Kong to meet its climate commitments and

enhance urban livability. Concurrently, as one of the world's foremost green finance centres, Hong Kong leverages its institutional, financial, and professional strengths to serve as a bridge between international capital and the green transition in the Chinese Mainland. Its mature market mechanisms also provide a conducive foundation for the application of green technologies, creating an urban model of sustainable transition with demonstrable and replicable value.

To tackle the core challenges in green transition of carbon-intensive industries, Hong Kong is fostering a green transition ecosystem through three priority measures:

- Extending from green finance to transition finance by establishing a policy framework that integrates standards, funding, and disclosure, while deploying innovative financial instruments to accelerate industrial decarbonisation;
 - Launching Core Climate, a voluntary carbon credit trading platform offering dual-currency settlement in both HKD and RMB, aligned with internationally recognised certification standards;
 - Accelerating the development of a sustainable fuel ecosystem to promote low-carbon aviation and maritime transport, while positioning the construction sector as a key application scenario for green technologies through the adoption of digital design and modular construction, thereby generating scalable and exportable low-carbon urban solutions.
- Leveraging the synergies of finance, market forces, and technological innovation, Hong Kong seeks to transform fragmented transition efforts in carbon-intensive industries into demonstration models that are financeable, tradable, and scalable, thereby providing a sustainable and replicable pathway for advancing regional industrial decarbonisation.

Figure: Total Carbon Emissions and Source Breakdown in Hong Kong (2023)



Source: Hong Kong SAR Government⁴

4. Council for Carbon Neutrality and Sustainable Development (CCN&SD): Greenhouse Gas Emissions by Source (April 2025), <https://cnsd.gov.hk/tc/climate-ready/ghg-emissions-and-trends/>

**Scaling up transition finance:
Driving carbon intensive sector
transition through policy and
product innovation**

There is a substantial financing gap in decarbonising carbon-intensive sectors, and transition finance in Hong Kong has emerged to address this challenge.

Across the Chinese Mainland and the broader Asian region, “hard-to-abate” sectors such as steel, cement, chemicals, and shipping are projected to face a cumulative financing gap of approximately USD 9 trillion for their low-carbon transition by 2030.⁵ Traditional green finance has limited reach in addressing the complex financing needs of these sectors. Transition finance, by contrast, provides targeted mechanisms to support process upgrading and energy transition, enabling traditional industries to mitigate environmental impact while ensuring a smooth economic transition and safeguarding employment stability. Leveraging its institutional and market strengths, Hong Kong is evolving from a major global green bond issuance market into a leader in transition finance solutions. In 2024 and the first half of 2025, transition finance accounted for 25% of Hong Kong's total green lending, equivalent to around USD 10.8 billion.⁶

On the policy front, Hong Kong is establishing a holistic framework built around three pillars - standard-setting, funding, and disclosure.

Both the central government and the Hong Kong SAR Government have designated transition finance as a key policy priority. The People's Bank of China, in its Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development⁷, explicitly calls for Hong Kong to leverage its role as an international financial centre to advance transition finance practices. In response, Hong Kong has launched a suite of initiatives, including the Government Sustainable Bond Programme, the Hong Kong Sustainable Finance Taxonomy, and the Sustainable Finance Action Agenda, which collectively form a cohesive policy framework integrating standards, funding support, and disclosure. From a standards perspective, the Hong Kong Monetary Authority (HKMA) released the Taxonomy for Sustainable Finance in 2024, encompassing 12 economic activities across four major sectors - power generation, transport, buildings, and wastewater and waste management. The taxonomy is largely consistent with the China-EU Common Ground Taxonomy, with 11 of the 12 activities aligned, laying a solid

foundation for mutual recognition of transition finance standards. In terms of funding, in May 2024, the HKMA extended the scope of the Green and Sustainable Finance Grant Scheme to cover transition bonds and loans, thereby broadening financial support for decarbonisation projects in carbon-intensive industries such as steel and cement.⁸ With respect to disclosure, financial institutions are required to enhance climate-related information disclosure to improve the transparency and credibility of transition finance activities.⁹

At the product level, Hong Kong is building a modular portfolio of transition finance products designed to the multi-tiered financing needs associated with the transition of carbon-intensive industries.

- Sustainability-Linked Loans (SLLs) serve as a key financing tool, offering medium- to long-term capital for enterprises to upgrade equipment and pursue technology R&D during the early stages of transition. In 2024, SLLs accounted for over two-thirds of Hong Kong's sustainable lending market, with total funding exceeding USD 20 billion¹⁰;

5. Financing the Transition of Carbon-Intensive Industries: Standard Chartered Bank's Strategic Approach, China Daily, April 2025, <https://cn.chinadaily.com.cn/a/202504/08/WS67f4ba85a310e29a7c4a80d0.html>

6. Green Finance: Hong Kong at the Forefront of Policy Upgrading and Market Scale Leadership, Sohu News, August 2025, https://www.sohu.com/a/926207290_121123881

7. Guiding Opinions on Further Strengthening Financial Support for Green -and Low-Carbon Development, Gov.cn, March-2024, https://www.gov.cn/zhengce/zhengceku/202404/content_6944452.htm

8. Government Sustainable Bond Programme, HKMA, March-2025, https://www.hkma.gov.hk/gb_chi/key-functions/international-financial-centre/bond-market-development/government-sustainable-bond-programme/

9. See footnote 7

10. Hong Kong's Sustainable Bond Market Expands by Over 40%, with Total Issuance Exceeding USD 43.1 Billion, Sina News, July 2025, <https://finance.sina.com.cn/money/bond/2025-07-17/doc-inffuvpp7281996.shtml>

- Transition Bonds and Sustainability-Linked Bonds (SLBs) channel sustainable capital into carbon-intensive industries. In 2024, Hong Kong's sustainable bond issuance exceeded USD 43 billion, with SLBs accounting for about 1% of the total¹¹;
- Sustainable Asset-Backed Securities and Infrastructure Loan-Backed Securities (ABS/ILBS) mobilise existing assets, channelling over HKD 3 billion into urban revitalisation and clean energy upgrades¹²;
- Carbon Credit Revenue-Linked Tools transform emission allowances into tradable financial assets. Through this mechanism, more than 20 enterprises have realised over HKD 500 million in carbon credit revenues, creating new sources of profit growth while incentivising emissions reduction.¹³

Collectively, these instruments are helping ease the financing bottlenecks of carbon-intensive industries in transition. They represent a "Hong Kong Transition Finance Model" that combines regulatory transparency with product innovation, and serve as a replicable model for advancing regional green transition.

Connecting carbon markets: Promoting mutual recognition of carbon asset accounting and certification

The carbon market serves as a key mechanism underpinning global cooperation on emission reduction. Yet, existing systems remain constrained by fragmented regulations, low market liquidity, and divergent pricing mechanisms, all of which impede the cross-border circulation of carbon assets and the efficient allocation of resources. Strengthening the connectivity of rules, products, and capital between domestic and international carbon markets is therefore critical to resolving these structural bottlenecks.

Leveraging its status as a leading international financial centre, its dual-currency settlement system, and its close economic ties with the Chinese Mainland, Hong Kong is uniquely positioned to serve as a two-way bridge for standard alignment, credit verification, and capital flows. As of January 2025, a total of 38 compliance-based Emission Trading Systems (ETS) are in operation worldwide, covering more than 10 billion tonnes

of greenhouse gas emissions.¹⁴ In particular, the Chinese Mainland's ETS, currently the world's largest, is steadily expanding beyond the power sector to cover carbon-intensive industries such as steel, building materials, and petrochemicals. Additionally, the reinstatement of the China Certified Emission Reduction (CCER) scheme has reopened a new channel for enterprises outside the compliance system and emission reduction projects to participate in carbon trading.

Building on the Chinese Mainland's carbon market foundation, HKEX launched Core Climate in 2022, the world's only voluntary carbon trading platform with dual-currency settlement in HKD and RMB. The platform not only provides a transparent and efficient infrastructure for the cross-border circulation of voluntary carbon credits, but also lays the institutional and market foundations for future international linkage of the Chinese Mainland's ETS and CCER, and for the broader cross-border flow of carbon assets.

11. Hong Kong SAR Sustainable Bond Market, HKMA, July 2024, https://www.climatebonds.net/files/documents/publications/Climate-Bonds_Hong-Kong-State-of-the-market-briefing-2024_July-2025.pdf

12. Full-Year 2024 Performance Overview of Mortgage Finance Institutions, HKMA, May 2024, <https://www.info.gov.hk/gia/general/202505/26/P2025052600707.htm>

13. In Its First Month, the HKEX Voluntary Carbon Market Saw over 20 Participants Complete Transactions, Involving around 400,000 Tons of Carbon Credits, NetEase News, November 2022, <https://c.m.163.com/news/a/HN71P9VP0534A45C.html>

14. Emissions Trading Worldwide: ICAP Status Report 2025, https://icapcarbonaction.com/system/files/document/250919_icap_sr25_chi_lc_final.pdf

On the platform-building front, Core Climate has initiated a tentative exploration of cross-border circulation of carbon assets by connecting high-quality projects certified under international standards.

All carbon credit products available on the Core Climate platform are verified under globally recognised standards, including the Verified Carbon Standard (VCS) and the Gold Standard (GS), ensuring alignment with international quality benchmarks. By 2024, over 80 international and local institutions from sectors including energy, finance, real estate, and manufacturing had joined the platform. SPIC Carbon Asset Management Co., Ltd., a subsidiary of the State Power Investment Corporation (SPIC), executed the platform's first RMB-denominated on-exchange transaction, marking a milestone in opening a new channel for carbon assets from the Chinese Mainland to access global markets. With the relaunch of the national voluntary carbon market- the China Certified Emission Reduction (CCER) scheme-Core Climate is expected to play a greater role in harmonising market rules and facilitating mutual credit recognition. It will serve as a testing ground for the cross-border pricing and capital flows of carbon assets going forward.

In terms of regional collaboration, carbon market linkages across the GBA are being strengthened to promote standard alignment and product innovation.

The GBA is accelerating the development of a unified carbon market framework. Hong Kong's 2025 Policy Address identifies cross-border carbon trading cooperation as a strategic priority. To this end, HKEX entered into MOUs with the carbon exchanges of Guangzhou, Shenzhen, and Macao to jointly

promote harmonisation of standards, system connectivity, and product innovation. These efforts mark the beginning of substantive exploration of institutional mutual recognition at the regional level. Going forward, as cross-border carbon trading technology and regulatory frameworks continue to improve, the GBA is expected to pioneer innovative products such as carbon indices and cross-border carbon forward contracts. The unique value of Hong Kong lies not in market scale, but in its role as an institutional gateway and capital pricing platform, enabling the gradual integration of the Chinese Mainland's carbon assets into the international rule-based framework, while enhancing the openness and competitiveness of the regional carbon finance system.

Green technology demonstration: Developing a sustainable fuel bunkering hub and a low-carbon urban pilots to drive large-scale adoption

The transportation and construction sectors are globally recognised as carbon-intensive and hard-to-abate sectors. In 2024, aviation and shipping sectors generated an estimated 1.2 billion tonnes of carbon emissions, accounting for 7.8% of the global total, with fuel combustion as the primary source. Given the technological and economic constraints limiting large-scale electrification in long-haul shipping and aviation, green fuels such as Sustainable Aviation Fuel (SAF) and green methanol have emerged as critical solutions for decarbonisation. In the construction sector, characterised by scarce land resources and exceptionally high density, Hong Kong is home to more than 300 skyscrapers - the highest concentration in the world. Addressing the energy consumption challenges of high-density cities,

Hong Kong has positioned the green building technologies as a key lever for decarbonisation. It is accelerating the adoption of three major technologies - Building Information Modelling (BIM), Modular Integrated Construction (MiC), and Building-Integrated Photovoltaics (BIPV). These innovations not only enhance energy efficiency and construction productivity, but also create a replicable model for low-carbon urban development tailored to compact metropolitan settings, providing the GBA and other cities in the Chinese Mainland with a scalable pathway for sustainable urban renewal.

As the world's largest air cargo hub and the fourth-largest shipping centre, Hong Kong is positioning itself as a regional sustainable fuel bunkering hub by expanding supply of and innovation in the application of sustainable fuels.

Strategically, recent Policy Addresses have set clear priorities to "establish a Sustainable Aviation Fuel (SAF) industry chain" and "develop a Sustainable marine fuel bunkering centre." Complementary measures, including the Action Plan on Sustainable Marine Fuel Bunkering, provide regulatory frameworks and policy guidance for industry development. On the supply side, Hong Kong is leveraging the Chinese Mainland's sustainable fuels production capacity to accelerate the build-out of a cross-border supply chain. In June 2025, the Hong Kong Transport and Logistics Bureau signed a MOU with CIMC Enric to advance the joint development of a sustainable marine fuel ecosystem. CIMC Enric's green methanol plant in Zhanjiang is set to commence operations in Q42025 with an initial annual capacity of 50,000 tonnes, expanding to 250,000 tonnes by 2027, thereby

ensuring a stable supply of sustainable fuel for Hong Kong. On the application side, Hong Kong launched the world's first incentive scheme based on the Carbon Intensity Indicator (CII) rating, providing annual incentives of up to HKD 20,000 per vessel between 2024 and 2026 for ships using sustainable fuel. Local companies are also exploring innovative business models for green fuel, including certification-based trading, to showcase its commercial potential. In 2022, Cathay Pacific launched its Corporate Sustainable Aviation Fuel (SAF) Programme, enabling corporate clients to support SAF use and earn environmental credits to offset indirect carbon emissions from business travel and freight. The programme, piloted at Hong Kong International Airport, is the first and largest of its kind in Asia, serving as a verifiable case study for the crediting and market-based trading of sustainable fuel.

Underpinned by robust institutional and financial support, Hong Kong's green building initiatives are advancing industrialised construction through three core technologies,

creating a scalable model for low-carbon urban development.

At the institutional level, the Hong Kong's Climate Action Plan 2050 and the Energy Saving Plan for Hong Kong's Built Environment 2015–2025+ have set clear emission reduction targets for the building sector: achieving near-zero emissions by 2050 and reducing energy intensity by 40% by 2025, against a 2005 baseline^{15,16}. Through energy efficiency registration, mandatory energy audits, and data disclosure systems, Hong Kong has established a comprehensive regulatory framework covering the full building lifecycle, from design and construction to operation and maintenance. In terms of financing, leveraging green finance, the government has allocated over HKD 100 billion in dedicated funds for energy-efficient retrofitting and smart construction, creating a practical model that integrates financial resources with decarbonisation initiatives^{17,18,19}. From a technological perspective, Building Information Modelling (BIM) enables digital collaboration across design, construction, and operations, addressing challenges in

cost control and operational accuracy. Modular Integrated Construction (MiC) enhances efficiency and reduces pollution through factory prefabrication, shortening project timelines while ensuring quality. Building-Integrated Photovoltaics (BIPV) integrate solar generation into building façades, balancing aesthetics with energy performance. The integration of BIM and MiC enables real-time tracking of energy efficiency across the full building lifecycle. From 2025 onwards, BIM adoption will be mandatory for all government construction projects with budgets exceeding HKD 30 million²⁰; The Kai Tak Olympic Avenue public housing project has adopted MiC technology, shortening construction time by nearly 60%. Across Hong Kong, more than 100 projects have already adopted MiC, with over 2.5 million square meters of floor area scheduled for completion in the next five years^{21,22}. The integrated application of BIM, MiC, and BIPV not only demonstrates a viable low-carbon construction pathway for high-density cities like Hong Kong, but also provides a scalable model for adoption across the GBA and other international cities.

15. Hong Kong released its first Urban Energy Saving Plan for Hong Kong's Built Environment 2015-2025+, as reported by Yangpu Times Online, May 2015, https://yptimes.shyp.gov.cn/html/2015-05/23/content_6_2.htm

16. The HKSAR Government released Hong Kong's Climate Action Plan 2050, HKSAR Government, October 2021

17. The HKSAR Government released Hong Kong's Climate Action Plan 2050, HKSAR Government, October 2021, <https://www.info.gov.hk/gia/general/202110/08/P2021100800569.htm>

18. The 2015 Policy Address, HKSAR Government, January 2015, <https://www.policyaddress.gov.hk/2015/sim/p5.html>

19. Government Sustainable Bond Programme, HKMA, November 2021, https://www.hkma.gov.hk/gb_chi/key-functions/international-financial-centre/bond-market-development/government-sustainable-bond-programme/

20. Hong Kong's Latest BIM Policy | BIM Models Will Become Legally Binding - Are You Prepared? Sohu News, February 2025, https://www.sohu.com/a/863422156_121730607

21. First Phase of Modular Public Housing in Hong Kong Topped Out, Smart Construction Shortens Waiting Time by Around 60%, Toutiao News, July 2025, https://www.toutiao.com/article/7533510390471197218/?upstream_biz=doubao&source=m_redirect

22. Secretary's Notes: Implementing New Measures to Strengthen MiC Industry Development (1587), Development Bureau, HKSAR Government, July 2025, https://www.devb.gov.hk/sc/home/my_blog/index_id_1587.html

3

Current Challenges



3.1 Intensifying global competition among international financial centres

First, heightened geopolitical tensions are fuelling uncertainty and adding volatility pressure on Hong Kong's financial markets.

The complex global geopolitical environment has heightened risks to the global financial system, directly impacting investors' risk appetite in the short term. Shifts in U.S. interest rate policy and a prevailing risk-averse sentiment have led to more prudent investment behaviour. As a global capital hub, Hong Kong is highly sensitive to external shocks, with fluctuations in trading and investment rapidly reflected in its capital markets. For instance, during the escalation of China-U.S. tensions in June 2025, the Hang Seng Index fell nearly 3% within a single day. Against this backdrop, ensuring financial stability and security while remaining deeply integrated with global markets has become Hong Kong's primary challenge as an international financial centre.

Second, the structural talent shortages are constraining the expansion of Hong Kong's financial ecosystem. Emerging sectors such as AI and green finance, coupled with deepening cooperation with the Middle East, are creating new opportunities but also widening Hong Kong's talent gap. Research conducted by HKMA indicates that over the next five years, the banking and financial services sectors will face acute shortages of multifaceted talent in AI, green finance, as well as compliance and expertise in Middle Eastern and ASEAN markets. In addition, the growing demand for family office services is generating shortages of specialised talent. Enhancing the quality of the talent pool to meet the evolving needs of the financial sector has therefore become a pressing challenge for sustaining Hong Kong's financial dynamism.

Third, financial innovation is creating increasingly complex regulatory challenges, with regulators facing the difficult task of striking the right balance.

The regional evolving geopolitical environment is adding to regulatory pressures related to anti-money laundering (AML) and counter-terrorism financing (CTF). Meanwhile, the rapid proliferation of digital currencies and virtual assets has stimulated economic activity but also introduced a range of risks. According to data from the Joint Financial Intelligence Unit, Hong Kong recorded approximately 148,000 suspicious transaction reports (STRs) in 2024, up 51% from 2023, nearly 89% of which were submitted by banks. Striking a balance between fostering financial innovation and maintaining prudential oversight has therefore become a new challenge for Hong Kong's financial regulation.



3.2 Over-reliance on the services sector and constraints on industrial transformation due to limited land and talent

The services sector accounts for over 90% of Hong Kong's GDP, with finance and real estate together contributing more than 40%. This high concentration leaves the economy highly vulnerable to global economic volatility. In recent years, continued corrections in the property market and weakening consumer demand have underscored the urgency of economic restructuring. As of January 2025, the private residential property price index stood at 287.6, down 27.76% from its historical peak of 398.1 in September 2021. The slowdown in economic

growth, coupled with the rising trend of cross-border consumption in the Chinese Mainland cities, has led to a continued contraction in Hong Kong's retail market.

Industrial transformation in Hong Kong is fundamentally constrained by two critical factors - land scarcity and talent shortages. In terms of land resources, Hong Kong's limited land supply and high development costs pose significant barriers to expansion. Existing I&T infrastructure is nearing saturation, with Hong Kong Science

Park's occupancy rate exceeding 90% and Tseung Kwan O InnoPark surpassing 80%. Meanwhile, progress in developing the Northern Metropolis has been relatively slow, constraining new industrialisation and broader expansion of the I&T sector. On the talent side, Hong Kong's comparative strengths remain concentrated in traditional fields such as finance, trade, and logistics, while I&T sectors face acute talent shortages. Despite a range of talent admission schemes introduced by the HKSAR Government in recent years, persistent challenges

such as high living costs and children's education continue to affect long-term talent retention. Looking ahead, with the rapid development of the I&T sector, Hong Kong will require a

large pool of professionals specialising in emerging fields such as AI and biotechnology, alongside experienced practitioners with commercial acumen. Furthermore, as Hong Kong advances

pilot-scale industrial applications, demand for skilled technical workers is set to surge.



3.3 Ongoing exploration of the integration of Hong Kong's I&T ecosystem with resources from the Chinese Mainland

The integration of Hong Kong's I&T ecosystem with resources from the Chinese Mainland remains at a preliminary stage, with no mature or stable model yet in place. According to data from the Guangdong technology market, Hong Kong has transferred just over one hundred technology

contracts to Guangdong annually in recent years, with the total value in the peak year reaching merely RMB 2 billion. By contrast, the nine Pearl River Delta cities have together recorded tens of thousands of transactions each year, with total values in the hundreds of billions of yuan. This

stark disparity underscores the lack of a well-established and effective mechanism for technology transfer and commercialisation between Hong Kong and the Chinese Mainland, while cross-border innovation collaboration continues to face multiple practical challenges.

Figure: Technology Transfer Contracts from Hong Kong to Guangdong



Source: Technology Contract Registration System, Sunshine Government Affairs Platform for Science and Technology Business Management of Guangdong Province; "Issues and Countermeasures for the Commercialisation of S&T Achievements in the Guangdong-Hong Kong-Macao Greater Bay Area" (Guangdong Productivity Promotion Centre)

First, collaboration among enterprises, universities, and research institutions remains insufficient. While the "R&D in Hong Kong + Manufacturing in the Chinese Mainland" model is being

gradually implemented, partnerships between Hong Kong universities and research institutions and Chinese Mainland enterprises still face challenges. Outcomes of fundamental research are not closely aligned with

industrial application needs, and the effectiveness of research incubation, adoption, and commercialisation has yet to be fully realised. The pathway from "laboratory to production line" has yet to be fully established.

Second, the alignment of key institutional and regulatory frameworks still requires further strengthening.

Owing to differences in legal jurisdictions, disparities exist between Hong Kong and the Chinese Mainland in patent authorisation standards, scope of protection, and infringement criteria. Furthermore, although Hong Kong's "Patent Box" tax concession was introduced in 2023, under which eligible patent profits are taxed at a preferential 5% rate, follows

the internationally recognised source principle of profits, it has yet to be explicitly extended to cross-border R&D projects conducted by Hong Kong organisations in Shenzhen. As a result, the policy's potential to support I&T collaboration between Hong Kong and Shenzhen has yet to be fully leveraged.

Third, professionalisation and end-to-end support of I&T intermediary services still need to be strengthened. Some Hong Kong

technology enterprises have indicated a lack of understanding of I&T policies in the Chinese Mainland and difficulties in the cross-border transfer of research outcomes. This highlights the need for Hong Kong, Shenzhen, and other GBA cities to further improve professional, end-to-end service support for I&T collaboration and cross-border knowledge and technology transfer.



3.4 Challenges remain in the way of becoming a green transition hub: limited coverage of transition finance standards, insufficient credibility of the carbon market, and high costs of green technologies

The core challenge for transition finance in Hong Kong lies in the limited coverage of transition finance standards and insufficient investor appetite, both of which undermine its capacity to support the decarbonisation of carbon-intensive sectors.

The Hong Kong Taxonomy for Sustainable Finance remains limited in sectoral coverage, focusing primarily on the power generation, transportation, construction, and waste management industries, while not clearly defining "transition activities" for carbon-intensive sectors such as steel and chemicals. As a result, projects in these high-emission industries lack recognised classification benchmarks in Hong Kong, making it difficult for them to secure financing. Although Hong Kong itself has a relatively small heavy industry base, regional demand for transition finance-particularly in the GBA and Southeast Asia- continues to rise, and this gap in standards has become a major obstacle to effective capital deployment. Moreover, transition projects are typically capital-intensive and long-term, and the absence of government guarantees

or risk-sharing mechanisms weakens issuance incentives for financial institutions and reduces investor participation. Currently, SLBs account for only around 1% of total sustainable bond issuances, highlighting their limited scale and liquidity, which remain insufficient to effectively support the decarbonisation of carbon-intensive industries.

The main challenges facing Hong Kong's carbon market in supporting carbon-intensive industries are the insufficient credibility of its verification system and the restrictions on cross-border trading. Although Hong Kong has established the Core Climate dual-currency settlement platform and adopted internationally certified carbon credits under the VCS and Gold Standard frameworks, project verification, information disclosure, and data traceability still rely on multiple external systems. The absence of a unified local regulatory and registration framework continues to limit the transparency and credibility of cross-border carbon assets. Meanwhile, the Chinese Mainland's CCER scheme

has yet to achieve interoperability or mutual recognition with international carbon registries. Over the longer term, for Hong Kong to effectively serve as a bridge linking the Chinese Mainland's carbon market with global mechanisms, it must first resolve key challenges in information interoperability, asset traceability, and related issues. Compounding this challenge is persistent international skepticism towards the integrity of carbon credits from emerging markets, which undermines confidence in their role as instruments of transition finance. In 2024, Verra, which manages the world's leading voluntary carbon standard (VCS), rejected 37 rice cultivation projects from China due to insufficient proof of additionality. This highlights that even authoritative international verification systems may cast doubt on the authenticity of emission reductions claimed by Chinese carbon assets. This suggests that reliance on international certification alone is insufficient to secure market confidence. Hong Kong must therefore establish a robust local regulatory framework and a credible carbon asset rating system to strengthen quality

assurance and continuous disclosure, thereby enhancing the credibility of carbon assets as financial instruments supporting the decarbonisation of carbon-intensive industries.

The cost of scaling up green technologies from pilot projects to large-scale deployment remains prohibitively high.

In the field of sustainable fuels, adoption faces multiple challenges, including high production costs and significant investment required for engine retrofitting and supporting

infrastructure. Although Hong Kong provides subsidies for low-carbon vessels, the commercial viability of sustainable fuels still hinges on whether emission reductions can be converted into tradable carbon credits, thereby monetising their “green premium” through market valuation. Similarly, in the green building sector, technologies such as BIPV and MiC require significant upfront capital investment. The cost of BIPV systems is approximately two to three times that of traditional building materials, while MiC projects face additional

costs due to the complexity of module transportation and installation. Despite their potential to deliver measurable emission reductions, these technologies have yet to be incorporated into established carbon credit frameworks, leaving them without a pathway to monetisation through carbon markets. Furthermore, during a property market downturn, the asset premium and rental yields of energy-efficient buildings fail to fully reflect their long-term value, resulting in a structural imbalance of “high investment and low return.”



4

Outlook



4.1 Further strengthening Hong Kong's traditional financial strengths and focusing on developing a digital asset ecosystem

In an increasingly uncertain global landscape, international financial markets are facing greater volatility and challenges. As a leading international financial centre, Hong Kong stands at the forefront of global economic, financial, and technological transformation. It must stay vigilant to external policy uncertainties and geopolitical developments that could trigger market turbulence, while reinforcing its resilience to shocks and safeguarding monetary and financial stability. In the *The Chief Executive's 2025 Policy Address* released on 17 September, the Hong Kong SAR Government announced a comprehensive suite of measures to further consolidate the city's status as an international financial centre. These initiatives cover priority areas such as equities, bonds, asset and wealth management, and financial technology. Looking ahead, Hong Kong's global competitiveness will be underpinned by its enduring strengths in traditional financial services, particularly equities and bonds, complemented by emerging innovations such as asset tokenisation, which represent the next frontier of financial technology. Together, these developments will lay a solid foundation for supporting both the real economy and the evolving digital economy. This calls for Hong Kong to:

Further strengthen its equity market, deepening its connectivity with global markets, and capitalise on the eastward shift of global wealth. On the

one hand, Hong Kong will reinforce its position as the world's largest offshore RMB centre, contributing to the Chinese Mainland's development of new-quality productive forces and overall economic growth. Meanwhile, Hong Kong aims to capture the growing wave of global capital inflows, particularly driven by the rise of Global South economies - by attracting more overseas enterprises to list on HKEX. To this end, the Policy Address proposes to review and optimise the weighted voting right (WVR) regime, and to deepen collaboration between HKEX and exchanges across Southeast Asia. Going forward, Hong Kong could seek to further enhance market liquidity through measures such as phased extensions of trading hours, and launch the dedicated listing channels for overseas firms and tax optimisation policies to make the city as the preferred destination for secondary listings by enterprises from the Middle East, Southeast Asia, and beyond.

Elevate the bond market from "Asian leader" to "global leader."

As Hong Kong upgrades its financial infrastructure, expands tokenised bond issuance, enhances market connectivity mechanisms, and broadens the use cases for RMB-denominated assets, its bond market is poised to attract more global investors and deepen integration with the Chinese Mainland markets. With the implementation of the "Roadmap for the Development of the Fixed Income and Currency Markets" (FIC

Roadmap) jointly developed by SFC and HKMA, Hong Kong's bond market is expected to evolve from an Asian leader to a global frontrunner, which will consolidate its role as a pivotal hub in the eastward shift of global wealth and the process of internationalisation of RMB.

Attract more long-term capital to reinforce Hong Kong's role as a global hub for private wealth management and family offices.

Hong Kong's openness to financial innovation is drawing a growing number of high-net-worth investors to increase their asset allocation in the city. Further potential can be unlocked through New CIES by broadening eligible investment categories to include digital assets, fine art, and other alternative asset classes. Additionally, dedicated "Investment Immigration" and "Family Office" channels- structured under a closed-loop model akin to the Cross-Boundary Wealth Management Connect scheme- could be introduced, complemented by preferential tax incentives designed to attract family offices to Hong Kong. As Hong Kong's global recognition as a family office hub continues to rise, the inflow of family capital is expected to boost research and innovation, nurture patient capital, and provide sustained momentum for the city's economic development. This in turn can foster a virtuous cycle that bolster capital markets, strengthens professional services, and supports talent cultivation.

Build Asia's digital finance innovation hub and foster a trusted, sustainable digital asset ecosystem.

Leveraging its position as one of the world's foremost Fintech centres, Hong Kong is well placed to establish itself as Asia's leading hub for digital financial innovation through strategic development of the RWA ecosystem. In the first half of 2025, Hong Kong's banks processed HKD

26.1 billion in digital and tokenised asset transactions, making a 233% year-on-year increase. With the continued rollout of Project Ensemble by the HKMA, tokenisation use cases—including deposit settlement, asset trading, and bond issuance—are becoming increasingly regular and diversified. This positions Hong Kong as a demonstration market in the global wave of RWA and

asset tokenisation. Meanwhile, by understanding and studying the prudent attitude of international regulators towards stablecoin, Hong Kong should prevent financial risks, and strike a balance between innovation and stability. By deploying tools such as regulatory sandboxes and automated data monitoring, Hong Kong will build the risk defence system for its digital asset ecosystem.



4.2 Optimising infrastructure and ecosystem in the Northern Metropolis to build a world-class hub for I&T and talent

The Northern Metropolis is entering a period of accelerated development, anchored around the twin pillars of “empowering I&T” and “serving talent.” By progressively optimising both its hard infrastructure and its institutional and social ecosystems, the region aims to create a favourable environment that attracts and retains top talent.

On the hard infrastructure front, the focus is on addressing the spatial and infrastructural needs critical to I&T and talent development. First, the region will secure sufficient land supply for I&T sectors, with designated areas to meet the spatial needs of critical R&D stages such as prototype testing and small-batch production. This will provide the tangible infrastructure required for the sector's development. Second, by adopting an integrated “district-based development” model, land use planning will be closely tied to industrial growth. Concurrently, efficient transport networks and high-quality housing for professionals will be developed to foster live-work proximity and convenient commuting. This approach directly addresses critical pain points in housing and mobility, thereby strengthening the spatial foundation for talent concentration.

In terms of the ecosystem, efforts will enhance supporting systems and strengthen the region's attractiveness to global talent.

First, the Northern Metropolis will deepen I&T collaboration within the GBA, addressing key institutional barriers such as those related to cross-border data and biological sample flows. By leveraging the GBA's industrial and innovation chains, Hong Kong can strengthen its research capabilities, and through an open research ecosystem, attract leading scientists, I&T enterprises, and research teams from around the world. Second, “work-life” supporting services will be enhanced and integrated into the area planning, with the parallel development of commercial, educational, healthcare, and other living facilities. By fostering a supportive ecosystem where work opportunities are matched by quality-of-life guarantees, the Northern Metropolis will strengthen its long-term appeal to I&T talent—ensuring that top I&T talent are both attracted and retained to drive Hong Kong's sustainable success.

To accelerate the realisation of this vision, Hong Kong should take action across several key areas. First, develop and integrate its own public-private partnership (PPP) models with those of the Chinese Mainland, leveraging the strengths of enterprises in the Chinese Mainland in supply chain management, technology, and financing to accelerate infrastructure development in the Northern Metropolis while alleviating fiscal pressure. Second, proactively align construction standards and advanced building technologies with those of overseas markets and the GBA. By harnessing economies of scale in supply chains and driving technological innovation, construction costs can be reduced, project timelines shortened, and regional development advanced efficiently to deliver high-quality spaces for industrial innovation and talent cultivation as quickly as possible. Third, deploy land grants, fiscal subsidies, and tax incentives to attract high value-added industries and high-potential enterprises to the Northern Metropolis.



4.3 Building a one-stop going-global service system to support enterprises in risk management and foster a deeper global presence

Hong Kong is accelerating the development of a one-stop going-global service system, with a focus on integrating global resources. The government will mobilise Hong Kong's overseas offices, including those under InvestHK and the Hong Kong Trade Development Council (HKTDC), as well as Hong Kong offices in the Mainland, to set up the Task Force on Supporting Mainland Enterprises in Going Global. This dedicated team will proactively attract Chinese Mainland enterprises to go global via Hong Kong's platform. The Secretary for Commerce and Economic Development will oversee the task force and coordinate with relevant policy bureaus, departments, and institutions to formulate comprehensive solutions for enterprises going global.

Looking ahead, Hong Kong should deepen its focus on the strategic objective of "empowering Chinese Mainland enterprises across the full value chain in going global." This entails advancing on two fronts - facilitating these enterprises' global expansion via Hong Kong, and supporting their sustainable growth and deeper roots

in overseas markets, thereby creating a seamless, end-to-end service ecosystem.

On the one hand, the increasingly complex global landscape raises higher demands on governments to help enterprises manage risks effectively. In this regard, establishing an integrated" service mechanism covering "risk monitoring, early warning, and training" can empower enterprises in risk prevention.

For example, an ongoing monitoring system could be put in place for key investment sectors (such as technology, advanced manufacturing, and renewable energy) as well as for high-potential destination countries. A multidimensional early warning framework integrating political, economic, and social security indicators could then generate visual risk alert reports. In addition, regular training programs on tariff risk mitigation, supply chain resilience, and data security compliance could help enterprises anticipate and avoid risks associated with going global.

On the other hand, overseas support services for Chinese Mainland enterprises should be reinforced through closer collaboration with international partners and market-oriented organisations, in order to enhance their long-term operational resilience while navigating the intricacies of global markets.

This could involve strengthening partnerships with host-country universities, innovation centres, incubators, and industry players, thereby building a robust international network that provides Chinese Mainland enterprises with access to international talent, research partners, and business channels. Furthermore, curating and integrating high-quality professional service resources-such as globally networked consulting firms- would enable Chinese Mainland enterprises to swiftly connect with trusted service providers and strengthen their localised operations abroad.



4.4 Unlocking growth potential of green transition through standard connectivity, asset tradability, and technology adoption

To address bottlenecks in transition finance, Hong Kong needs to make parallel progress in both standards improvement and product innovation. At the standards level, Hong Kong should build upon the Hong Kong Taxonomy

for Sustainable Finance and gradually extend its coverage to carbon-intensive industries such as steel and petrochemicals. It should also promote the formal mutual recognition of the China-EU Common Ground Taxonomy, thereby establishing a

unified recognition framework for cross-border transition projects. On the product front, Hong Kong should strengthen the pricing mechanisms for transition bonds and Sustainability-Linked Loans (SLLs). Beyond current KPI-based models, it should

incorporate emission reduction data or carbon credits by independent third-party verifiers. This will ensure that financing costs more accurately reflect enterprises' actual decarbonisation performance, effectively directing funding towards low-carbon transition projects. Looking ahead, by grounding its transition finance ecosystem in transparent rules and verifiable data, Hong Kong would evolve from a green finance centre into a leading transition finance hub. This evolution would enable Hong Kong to provide more effective financial support for the low-carbon transition of carbon-intensive industries in Asia, further cementing its position as a leading regional hub in green finance.

To strengthen its role as a bridge between the Chinese Mainland and the green transition of carbon-intensive industries, Hong Kong should enhance carbon market credibility and liquidity through the establishment of international mutual recognition mechanisms, improving carbon asset information transparency, and developing a local carbon credit rating system. With respect to the alignment of carbon market rules, Hong Kong could explore joint registration or "dual certification" frameworks between China Certified Emission Reduction (CCER) projects and international standards such as the Verified Carbon Standard (VCS) and Gold Standard (GS). By leveraging the credibility of global standards together with the transparency of Hong Kong's regulatory framework, this approach would enhance the international recognition of carbon assets, and strengthen trust in

cross-border carbon trading. In terms of platform development, Hong Kong can leverage the Core Climate platform to enhance the registration and information tracking of emission reduction projects. Blockchain and other emerging technologies could be employed to enable comprehensive disclosure of carbon asset traceability, verification, and retirement across the entire carbon asset lifecycle, thereby enhancing transparency. On the regulatory front, Hong Kong should establish a comprehensive emission reduction project database and a quality classification framework, with reference to international carbon credit rating systems. This would provide investors with transparent and comparable information on project quality, significantly enhancing the market appeal and liquidity of carbon assets.

To pave the way for the commercialisation of green technologies, Hong Kong should leverage its mature market mechanisms and industrial base. In the field of green fuels, the priority lies in reducing costs and establishing tradable value. Hong Kong can capitalise on the Chinese Mainland's lower production costs and its own advantages in international markets to establish a regional sustainable fuel service hub. By introducing internationally recognised fuel carbon intensity certification, sustainable fuel bunkering volumes could be converted into certified emission reductions. These could then be traded in the market in the form of carbon credits or emission reduction certificates, enabling the benefits of emission reductions to be distributed

among shipowners, fuel suppliers, and financial institutions. This would enhance the price competitiveness and market acceptance of green fuels. In the green building sector, the priority is to ensure that energy efficiency retrofits deliver measurable financial returns. Hong Kong can alleviate cash flow constraints for developers by mandating Modular Integrated Construction (MiC) practices and introducing phased payment arrangements. Furthermore, it can introduce the Energy Service Company (ESCO) model, whereby specialised service providers invest upfront in energy efficiency upgrades and recover their costs through shared energy savings, supplemented by subsidies from power utilities to reduce initial investment. Meanwhile, incorporating building energy savings and emission reductions into the carbon credit trading framework would enable efficiency gains to be monetised and turned into tradable assets. In parallel, driving down construction costs through the standardisation and regional collaboration of green building technologies will also be essential. To this end, Hong Kong should promote the wider application of technologies such as Building-Integrated Photovoltaics (BIPV) and Modular Integrated Construction (MiC). When energy savings, emission reductions, and asset returns become interconnected, Hong Kong will be well-positioned to advance green buildings and green fuels from pilot projects to sustainable operations, establishing a replicable low-carbon industry model for the GBA.

5

Conclusion

Amid significant global geopolitical realignments and China's pivotal transition toward high-quality development, Hong Kong is strategically reshaping its international economic hub role around the principle of "linking the Chinese Mainland and the rest of the world's markets while capitalising on complementary advantages." This strategic positioning is firmly grounded in the institutional foundation of "One Country, Two Systems," while aligning with global trends of innovation-driven and green-oriented growth. It sets a clear and forward-looking pathway for Hong Kong's active engagement in the evolving global competitive landscape.

The four growth engines - financial services, I&T, going-global services, and the green economy - are collectively driving Hong Kong's economic transformation. Meanwhile, Hong Kong must also address emerging challenges in areas such as global competitiveness, industrial restructuring, I&T integration, and green transition. These challenges will, in turn, serve as strategic guideposts for optimising Hong Kong's development trajectory. By reinforcing its strengths in financial services, accelerating the development of both the infrastructure and ecosystem of the Northern Metropolis, building a comprehensive one-stop going-global service platform for Chinese Mainland enterprises, and cultivating new growth drivers within the green transition hub, Hong Kong seeks to convert challenges into strategic opportunities to strengthen its position as a leading international hub. In doing so, it will contribute greater "Hong Kong momentum" to China's high-quality development and inject renewed vitality into the global economy.



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