Research Centre for Sustainable Hong Kong
香港城市大學
City University of Hong Kong

A Summary of Discussion

CityU CSHK PASS Workshop Series – Workshop 4

Innovation and Cultural Diversity: Hong Kong Professional Services, Overseas Investment, and Industrial Park Development in Malaysia[1]

CSHK Working Paper Series No.10

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On 19 August 2021, the Research Centre for Sustainable Hong Kong (CSHK)[3] organized the fourth PASS workshop, focusing on economic development and challenges in Malaysia, as well as exploring the opportunities and risks of Hong Kong investment and professional service sectors in special economic zones in Malaysia. Business leaders, seasoned managers and expert researchers in Malaysia and Hong Kong robustly discussed and brought with them diverse experiences from the sectors of port management, infrastructure construction, telecommunications, and retailing. About 270 participants joined the workshop online. Here is a summary of the insight sharing and panel discussion at the workshop.

Opening remarks:

Mr. Yap Wei Sin, the Consul-General of Malaysia in Hong Kong and Macao

Mr. YAP Wei Sin arrived in Hong Kong on 21 March 2019 to take up his assignment as Consul-General of Malaysia in Hong Kong and Macao. The career diplomat joined the Malaysian

[1] For details of CSHK PASS Workshop Series, please refer to Project Brief in Appendix.

[2] Ms. Chao YAO and Mr Arjun CHAPAGAIN are PhD Student Researchers at Department of Public Policy, CityU.

Prof Linda Chelan Li is Director of CSHK and Professor at Department of Public Policy, CityU.

Mr. Jeffrey Chung is Research Assistant at Department of Public Policy, CityU. He is also Project Manager for this PASS programme.

[3] Established in June 2017 by a cross-disciplinary research team, the Research Centre for Sustainable Hong Kong (CSHK) is an Applied Strategic Development Centre of City University of Hong Kong (CityU). CSHK conducts impactful applied research with the mission to facilitate and enhance collaborations among the academic, industrial, and professional service sectors, the community, and the government for sustainable development in Hong Kong and the Region. Linda Chelan Li, Professor of the Department of Public Policy at CityU, is Centre Director. For more information, please visit www.cityu.edu.hk/cshk. Please send comments on the paper to sushkhub@cityu.edu.hk.

Foreign Service in 2005. At the Ministry of Foreign Affairs, he was a political officer in the Americas Division and the Middle East & North Africa Division, as well as a director at the ASEAN-Malaysia National Secretariat. His foreign assignments include as the First Secretary at the Embassy of Malaysia in Manila, Philippines, and Counsellor at the Embassy of Malaysia in Kuwait. Prior to his posting to Hong Kong, he served as the Special Officer to the Foreign Ministry's Secretary-General.

He also currently serves as the Patron of the Malaysian Chamber of Commerce Hong Kong and Macao, the Patron of the Malaysian Association in Hong Kong, and the Patron of the Hong Kong Malaysian Students Association. In addition, he is an Advisory Council Member of Gleneagles Hospital Hong Kong. Mr. Yap holds an MScEcon in International Politics from the University of Aberystwyth, Wales, and a BA (Hons.) in International Relations from the University of Hull, UK.

Mr. Yap Wei Sin briefly introduced the high relevance of this workshop series on economic and trade cooperation zones along the Belt and Road, focusing on Malaysia. Malaysia was among the earliest supporters and participants of the Belt and Road Initiative (BRI). It was a signatory to the BRI Communiqué in 2017, and a founding member of the Asia Infrastructure Investment Bank (AIIB). Major BRI projects with Chinese collaboration include the East Coast Rail Link (ECRL) and the Malaysia-China Kuantan Industrial Park (MCKIP). Malaysia would continue to support and participate in the BRI to promote equitable, inclusive, and sustainable development in Asia.

Malaysia's active participation in BRI is premised on the comprehensive strategic partnership between Malaysia and China, buttressed by historical, cultural, and civilizational collaborations. Malaysia established diplomatic ties with China in 1974; the first ASEAN member to do so. Since then, bilateral relations have blossomed. In the face of Covid-19 adversities, there are more opportunities for relations to shine with health, medical and vaccine cooperation between both countries.

Malaysia, like many other economies in the region, is working hard towards economic recovery because of the ongoing Covid-19 pandemic. The year of 2020 has been a year of serious challenges and Malaysia remains committed to be a business and investor-friendly location, to enable businesses to thrive with all efforts.

Malaysia also made efforts to transform into a regional leader in the digital economy. Through the recently announced Malaysia Digital Economy Blueprint, Malaysia hopes to be the first in the region to build a comprehensive 5G ecosystem and works hard to provide investors with modern requirements, incentives, and equipment. The value propositions as a high-tech investment and global operations hub are aimed at enticing a sustainable stream of quality investment activities in Malaysia.

The Government, through Malaysia Investment Development Authority (MIDA), is persevering with the ongoing reform initiatives and policies, to further enhance competitiveness, promote investments, and accelerate national economic development, in line with the National Investment Aspirations (NIAs). The NIAs are meant to guide Malaysia to be a regional investment hub. They are premised on five key goals: 1) create high-value jobs; 2) extend domestic linkages; 3) develop new and existing clusters; 4) create local products and services; and 5) increase economic complexity through sophisticated products and services that use local research and development. To this end, some initiatives, including MIDA's Project Acceleration and Coordination Unit, provide end-to-end facilitation for all approved projects to ensure timely and efficient implementation. A Special China Channel, also under MIDA, focuses on facilitating businesses and investments from Greater China.

These incentives include (but are not limited to):
i. Zero percent corporate tax rate for 10 to 15 years for foreign companies that relocate to or undertake new investments in high-quality manufacturing activities.
ii. The introduction of the Global Trading Centre with a preferential income tax rate of ten percent for five years.
iii. Special Incentive for manufacturing of Covid-19 related pharmaceutical products with a preferential income tax rate of 0% to 10% for 10 years; and
iv. A Special Incentive Package, with funds valued at 243 billion US dollars for high value investments.

Investment strategies of Malaysia are aimed at encouraging and enabling high-tech and sustainable investments. Malaysia also hopes to boost innovation, strike a balance between economic and environmental sustainability, reduce the dependency on foreign labor, and get in line with ESG global benchmarks. Malaysia has continuously ranked among the top 25 trading nations and is one of the world's top exporters in many sectors such as electrics and electronics, food ingredients, medical devices, palm oil, furniture, and oil and gas services. Through the national trade promotion agency, the Malaysia External Trade Development Corporation (MATRADE), Malaysia offers various subsidies for foreign buyers who are looking for alternative suppliers. MATRADE helps linking them with capable and reliable Malaysian products and services exporters.

Malaysia has always been an open trading nation and preferred investment destination:

i. The DHL Global Connectedness Index 2020 ranks Malaysia 2nd among Asia Pacific countries, and 16th out of 169 countries for trade connectivity.
ii. A joint study by KPMG and The Manufacturing Institute in the US ranks Malaysia 4th among 17 economies. This study assessed Malaysia's competitiveness as a manufacturing hub, positioning the country ahead of China, Japan, Vietnam and India.
iii. Malaysia is ranked 12th in the World Bank's Doing Business 2020; and
iv. Malaysia is ranked 25th (rising 2 places from 2020) and 2nd in ASEAN in the IMD World Competitiveness Rankings 2021. Positive gain factors include Malaysia's cost competitiveness, business friendly environment, and skilled labor force.

Malaysia's ongoing trade and investment promotion efforts have successfully kept the country on the map of investors and importers. Hong Kong is and remains an important economic partner for Malaysia. Despite the global challenges of the past year, total Malaysia-Hong Kong trade in 2020 was almost HKD 200 billion, registered hardly any change from 2019. Reflecting the robust trade connection, Hong Kong was Malaysia's 7th largest trading partner in 2020, accounting for 2.4% of Hong Kong's total trade.

Malaysia and Hong Kong continue to be close partners in investment crossflows. In 2020, Hong Kong was the third biggest source of FDI, which was HKD 7.51 billion. In Q1 2021, approved FDI from Hong Kong was HKD 563 million, making it the 5th largest source of FDI into Malaysia for that period. In terms of accumulated FDI in Malaysia, as of Q1 2021, Hong Kong's figure is the 2nd highest, amounting to HKD 164 billion, next to Singapore. It is in this spirit of robust Malaysia-Hong Kong relations that Malaysia continues to reach out to and urge Hong Kong and Chinese investors to seize on these competitive advantages, particularly in the high-tech sectors.

In pursuing related business and economic partners, Malaysia trades with more than 200 countries, and has a strong relationship with the Middle East and Africa. Strategically located in the heart of the ASEAN region, Malaysia could be the gateway to ASEAN for investors. Furthermore, investors can also leverage on the opportunities opened by Regional Comprehensive Economic Partnership (RCEP) which provides a market of 3 billion people. Mr. Yap Wei Sin looks forward that Malaysia and Hong Kong will continue the close trade collaboration in the future.

Insight Sharing
Mr. Muhammad Sawaddee Islamuddin - Investment Consul, Consulate General of Malaysia (Investment Section); Director, Malaysia Investment Development Authority (MIDA) Guangzhou

From Dec 2019 to present, Mr. Muhammad Sawaddee Islamuddin has been serving as Investment Consul/Director MIDA, Consulate General of Malaysia, Guangzhou. He served from 2017 to 2019 as Director MIDA State of Perak, from 2016 to 2017 as Assistant Director, Healthcare, Education & Hospitality Division MIDA HQ, from 2012 to 2016 as Deputy Director, MIDA Paris, France, from 2008 to 2012 as Assistant Director, Foreign Investment Promotion Division MIDA HQ, and from 2006 to 2008 as Assistant Director, Transportation Technology Division MIDA HQ. Mr. Muhammad Sawaddee Islamuddin graduated with Bachelor of Degree in Automotive Engineering (Specialized in CAD / CAM Designing) and worked with Daimler Chrysler Group (Malaysia) prior to joining the public sector (MIDA).

Mr. Muhammad Sawaddee Islamuddin introduced the investment environment in Malaysia. MIDA is the principal government agency for investment promotion. The five major categories of function are: investment promotion, evaluation and approval of projects, implementation, compliance, and facilitation. Promotion is largely achieved through providing information to prospective investors about FDI or domestic direct investment. Once the investor decides to invest in Malaysia, the scrutiny and approval of the manufacturing licenses and relevant incentives constitute the ‘evaluation and approval’ function. After the project approval, investors can seek the assistance of the state offices of MIDA to ensure the smooth implementation of the projects. For compliance and facilitation, investors could also seek advice and support. Facilitation services cover post-investment issues, talent needs, local sourcing, local engineering support, adoption of technologies, technology collaboration, funding needs and e-service. MIDA has 20 overseas offices, including three in China (Beijing, Shanghai, and Guangzhou). MIDA is also supported by other departments, such as Immigration, Customs, and Labor, in executing its functions.

In 2020, USD 40.7 billion new investment was approved, covering the primary sector, manufacturing, and services. In manufacturing, total investment increased by 10.4% over 2019. Domestic direct investment (DDI) grew by 22.6%, while foreign direct investment (FDI) grew by 3.9%. In 2020, a total of 1049 manufacturing projects, worth USD 22.7 billion, were approved, compared to USD 20.2 billion and 988 projects in 2019. The top 5 source countries in the manufacturing sector in 2020 were China, Singapore, Netherlands, UK, and US. A total of 71 projects with participation from China were approved in 2020 with investments totaling RM17.8 billion. China was the largest investor in 2020 and its projects were expected to create 10,376 jobs.

“Three plus two” industries have been designated as the future focus of development: the electrical and electronics industry, machinery and equipment, chemical, medical devices, aerospace. Malaysia also looks forward to becoming a global or regional hub for services, such as corporate head offices, distribution, engineering and procurement.

With regard to what Malaysia could offer to investors, Mr. Islamuddin explained that there are 141 industrial parks readily available for investors. Many of them are adjacent to important ports of Malaysia. These parks offer products and services to a wide global market. For example, the Pengerang Industrial Park (PIP) is strategically located within the Pengerang Integrated Petroleum Complex (PIPC) development area, close to the Petronas Pengerang Integrated Complex (PIC).

Malaysia also has a series of business-friendly investment policies. For example, in manufacturing, foreigners are allowed to hold 100% equity ownership. When investors set up corporations in Malaysia, they are free to repatriate capital, interest, dividends, and profits without restrictions. Employment of expatriate is also allowed in key and term posts. Malaysia’s Intellectual Property laws are in conformance with international standards. Also, Malaysia has signed Investment Guarantee Agreements (IGA) with more than 60 countries. Several competitive investment incentives are offered, including pioneer status, investment tax allowance, reinvestment allowance, and customized packaged investment incentives.

Since the COVID-19, Malaysia introduced quite a few incentives for companies’ relocation or setting up new branches. 10 years 0% tax rate for new investment in manufacturing sectors with capital between RM 300-500 million, and 15 years for investment above RM 500 million. For existing companies, 100% investment tax allowance is offered for them to relocate overseas facilities into Malaysia with total investment above RM 300 million. Malaysia also benefits from its abundant human talents. Malaysian universities have had various collaboration schemes with international universities. Ecosystems of production are well developed. Take the semiconductor industry as an example, the supply chain extends from research and development (R&D) to electronics manufacturing services (EMS), involving many foreign companies, local companies, talents, and enablers.

Malaysia will continue to improve its flexible business environment by signing more free trade agreements. A total of 16 free trade agreements (FTA) have been signed covering a market of 4 billion population. Malaysia has also recently joined the RCEP, which includes 10 ASEAN member countries and 5 ASEAN FTA partner countries, and is the largest FTA in the world. Since 2020, MIDA started to offer e-services. The manufacturing license will be approved within 2 working days once documentation is complete. Other applications such as incentives and import duty exemption are also supported through e-services.

Project Acceleration and Coordination Unit (PACU) is another unit established within MIDA to assist companies with project implementation. Many successful cases could be found in PACU. For example, Aspen Glove Sdn Bhd implemented their projects within 7 months after the project was approved by MIDA. MIDA also provides one-stop center (OSC) for business travelers, including short term and long term stay. For short term travelers (fewer than 14 days), companies or related investors could get exemption from quarantine. However, long-term travelers should follow the instructions of National Disaster Command Center with the quarantine for 14 days. The OSC website was set up for safe travel for those travelers and visitors that would like to visit Malaysia and submit their application.

Ir. Foong Kok Li 馮國立 - Project Manager, Malaysia-China Kuantan Industrial Park (MCKIP)

Ir Foong Kok Li graduated from University of Technology Malaysia (UTM) with Degree of Civil Engineering (honours) in year 2005 and obtained his Master of Science (Construction Management) from UTM in year 2006. A professional civil engineer, he has 15 years' experience in the construction sector and in consultancy, covering feasibility study, project planning, design management and project management.

The Kuantan Industrial Park is the first Malaysia National Industrial Park jointly developed by both Malaysia and China. It is a G2G industrial park. In Malaysia, there is Malaysia-China Kuantan Industrial Park (MCKIP) while the China-Malaysia Qinzhou Industrial Park (CMQIP) is established in Qinzhou, China. For MCKIP, Malaysia consortium has 51% share and China consortium has 49%. For Malaysia consortium, several companies are involved, such as IJM, Sime Darby, while the China consortium is constituted by Beibu Gulf Port Group and Qinzhou Investment Development Corporation.

Why should investors choose MCKIP? Firstly, it is strategically located in Pahang state, which is the largest state in west Malaysia, with rich natural resources. Secondly, Malaysia could provide multi-ethnic workforce with lots of linguistic talents. In addition, the new international land-sea trade corridor will enhance the connectivity between Malaysia and neighboring countries.

The MCKIP is located next to the Kuantan Port which is strategically at the center of ASEAN, facing South China Sea. The ship takes 3 to 4 days traveling to the Qinzhou port from Kuantan port and 4 to 8 days to other Chinese port. The distance from MCKIP to the Kuantan port Kuantan town, Kuantan airport and Kuala Lumpur city.is 12, 20, 36 and 271 kilometers respectively.

The MCKIP is strategically located adjacent to the Kuantan Port, a significant transportation node in the center of ASEAN. It only takes 3 or 4 days for the container ship traveling to Qinzhou Port in Guangxi, China from Kuantan Port, and 4 to 8 days to other Chinese ports. The MCKIP is also well connected with other places in Malaysia. The distance from MCKIP to the Kuantan town, Kuantan airport, and Kuala Lumpur city are 20, 36, and 271 kilometers respectively.

The 3500 acre-MCKIP comprises three areas: MCKIP 1 (1200 acres), MCKIP 2 (1000 acres), and MCKIP 3 (1300 acres). The MCKIP 1 and 2 are focused on heavy and medium industries, while MCKIP 3 is mixed developed, including warehouse, logistics, light industries, commercial, residential facilities, and amenities. Industries, such as steel and non-ferrous metals industry, machinery and equipment manufacturing, clean technology and renewable energy, chemical and specialized industry, electrical and electronic industry, and research and development are welcome. Currently, the top investor in MCKIP is Modern Integrated Steel Mill with an investment value of 5.6 billion.

A 710-acre modern integrated steel mill in MCKIP 1 has an annual production capacity of 3.5 million tons high carbon steel and h-shape steel. 73% of MCKIP 1 has been developed. The infrastructure construction might be completed by the mid next year. The size of MCKIP 2 is around 1000 acres. 369.13 acres are developed for car tire production and 315.23 acres for the construction of a paper mill. MCKIP 3 is mixed development area, including manufacturing of batteries, logistics, light industry, shopping mall, commercial offices, a school, and a residential area.

Malaysian government constructed the connecting highway and road systems. Attractive government incentives are offered for investors in MCKIP:

1. 100% corporate income tax exemption up to 15 years commencing from the year company derives statutory income for investment that produces high value-added products and provides high technology transfer or undertake research & development activities.
2. Import duty exemption for raw materials, parts and components, plants, machinery, equipment, spare parts, and consumables that are not produced locally and used directly in the production activity.
3. Stamp duty exemption on transfer or lease of land or building used for development.
4. All existing East Coast Economic Region’s (ECER) incentives.

For existing Kuantan port facilities, total acreage of existing port is 1557 acres which consists of 22 berths such as palm oil berths, mineral and liquid chemical berths, container berths, multipurpose berths, cargo berths and storage facilities. Malaysian government strongly supports the Kuantan port by investing RM 1.1 billion to construct a new breakwater, more external infrastructure, including road, electricity supply and telecommunication system.

In 2019, the 4th Joint Cooperation Council Meeting (Kuantan) was conducted under the collaboration framework of “two countries, twin parks” between Malaysia and China.

In response to Prof Linda Li’s question on what challenges is MCKIP facing, Mr Foong replied the biggest challenge is that the Covid-19 pandemic delayed infrastructure and site construction. Some potential investors interested in MCKIP could not visit the site, However, MIDA currently offers different plan for quarantine for the investors, with necessary approval from the government. A series of assistance are offered to help investors.

Ms. Karen Fung - General Manager for InnoPreneur (SME & Startup Growth) and FutureSkills, Hong Kong Productivity Council

Karen has dedicated her career in professional education, talent development and corporate services for over 20 years. As the General Manager, heading the HKPC Academy, Inno Space and SME. one of the Hong Kong Productivity Council, she is keen at promoting a network of “InnoPreneurs” (i.e., “Innovative Entrepreneurs”) to support entrepreneurs of SMEs and Startups achieving growth through innovative ideologies and technology applications.
Also heading the HKPC Academy to nurture and develop talent with “FutureSkills” from age 6 and above to professionals, Karen has orchestrated a FutureSkills Framework for the upskilling and reskilling of the local workforce. To cope with the acceleration of digitalization, HKPC Academy offers relevant technology and soft skills training to equip individuals with the right hard and soft skills such that they can become future proof.

Karen is currently a member of the Innovation and Technology Training Board of the Vocational Training Council; the Small and Medium Enterprises Committee of the Trade and Industry Department; the Corporate Tech Academy Network; and the Young Executives Club of the Hong Kong General Chamber of Commerce. She obtained her Master of Public Administration (MPA) degree from the University of Hong Kong, and Bachelor of Arts (BA) from Bowling Green State University in the United States with dual majors in Political Science and International Relations.

Malaysia has joined many international trade and economic alliances, including ASEAN and RCEP. Malaysian manufacturing sector plays an important role in the global supply chain. It is also a significant trading partner of other ASEAN countries, which reinforces its advantageous position in manufacturing. In addition, the Malaysian government is encouraging technological companies' establishment in the country.

Hong Kong Productivity Council (HKPC) tries to help SMEs and start-ups on technology transformation and commercialization, whether they are local or foreign ones. Now, HKPC not only provides technical expertise and support, but also promote and support various governmental funding schemes through SME reach-out teams and other founding branches, as well as facilitating exchanges of innovative ideas through entrepreneur network.

At first, Ms. Karen Fung introduced how local companies could make use of the platform and services of HKPC to create opportunities and get well connected. The HKSAR government's funding is to assist companies in exploring development opportunities in Mainland and overseas market. The most relevant funding scheme is the BUD Fund, which is a dedicated fund on branding, upgrading and domestic sales. The geographical coverage of BUD Fund includes not only Mainland China but also ASEAN and other economies. For example, Hong Kong has signed the Free Trade Agreement and the investment promotion protective agreement (IPPA), to assist companies in taking the economic opportunities in the region.

The funding provides companies with a 50/50 matching basis. The maximum funding amount per project is HKD one million. Each company may obtain the funding for a maximum of 60 projects with a total amount of HKD 6 million. The scope of the funding involves:

a) Setting up a new business entity
b) Recruit additional manpower
c) Procure additional machinery, equipment, or molding
d) Procure sample or prototype
e) Advertisement
f) Exhibitions or promotional events (including virtual exhibition)
g) Online sales platform, website set up and enhancement, mobile apps (for promotional purpose)
h) Testing, certification, patent, trademark registration
i) External audit fee

Malaysia is the second most targeted countries among the FTA countries under the program. Among all approved programs of ASEAN projects, 240 projects are approved with treating Malaysia as the target market. The cumulative funding that has been approved for ASEAN projects is HKD 356 million.

Ms. Karen Fung also shared some successful cases. The first case was of the Boutir Limited. It is a Hong Kong-based, a mobile e-commerce platform that allows merchants to set up their own online stores. Seeing the great potential in developing business in Southeast Asia by operating online stores with mobile phones, Malaysia was selected as their steppingstone for business expansion. With the BUD Fund, 2 projects were completed in 2018 and 2019 respectively. The BUD Fund helps them to set up an office, hire local staff, complete business registration, create company website, and promote advertisements. People could scan the QR code on the website to get more information about the successful cases of BUD Fund.

HKPC has a SME Reach Out team service free of charge to facilitate local companies on BUD Fund application.. The team was founded by the Industry and Trade Department, and the One-on-One consultation service are available for all companies. The officers help reviewing forms to assure that the companies have submitted appropriate documents before applying for the fund. There are four main funding schemes that SMEs usually would apply for. Besides the BUD Fund, HKPC also offers SME Export Marketing Fund, Technology Voucher Program, and Enterprise Support Scheme.

In addition, Ms. Karen Fung stressed out the network of HKPC with SMEs in Hong Kong. The InnoPreneur Network is created to conduct different communication activities for SMEs and start-ups both online and offline, including outreach activities, sessions seminars and exhibitions. Various activities have been organized through this network since May 2021, such as the events focusing on different technological area, including food technology, F&B technology, and the Mar Tech as well. For online service, a platform offers eBooths and eClinic. More than 70 trade associations, corporations, NGOs, and quangos are involved in the network. SMEs and start-ups are expected to exchange on new technology applications, industry pain points, innovative ideas, and entrepreneur stories. Also, the online platform of InnoPreneur offers free consultations to business issue, including IP management, smart manufacturing, ESG and green technology, as well as digital transformation and cyber security.

HKPC welcomes more associations to join to grow more and assist more companies in HK. Recently, HKPC organized the regional InnoTach Summit in April with many international speakers sharing the technology and experience. InnoPreneur also organizes activities in ASEAN countries to promote investments abroad.

Dato' Lawrence Liu - Deputy Chairman, Malaysian Chamber of Commerce Hong Kong and Macau (MAYCHAM).

Dato' Lawrence Liu is from Malaysia. He has been living in Hong Kong since 1985, where he arrived from London looking to jumpstart his career as a newly minted accountant. He has held key positions in several multinational corporations, having started out as a CFO before transitioning into a general manager and subsequently an entrepreneur by starting his own business.

At present, he is the Director of Galaila International Co. Ltd., a trading company which exports frozen beef and leather from South America to China. He is also in the semiconductor testing industry with a factory in Dongguan, China; workshops in Hong Kong, Penang, & Singapore; and a sales office in Austin, Texas. Lawrence is also the Deputy Chairman of the Malaysian Chamber of Commerce (Hong Kong & Macau).

Lawrence is a Fellow of the Association of Chartered Certified Accounts (UK). In addition, he holds a Joint Executive MBA from Kellogg-HKUST as well as another Master of Science degree in eCommerce Management from HKUST. Lawrence is married with two sons and his wife is a practicing solicitor in Hong Kong.

Malaysia has connected with Hong Kong for many years but the Malaysia Chamber of Commerce Hong Kong and Macau (MAYCHAM) is relatively new. Currently, MAYCHAM has 500 members, and it creates a platform for both countries to communicate and share. Mr. Liu is Malaysian but has been staying in Hong Kong for a long time. He shared his experience of doing business in Malaysia, especially on how he invested in Malaysia and whether Malaysia is the best place for investments as business is impacted by many factors such as financial advantages.

Malaysia has 31.9 million people, while Hong Kong has 7.5 million. But in terms of the physical size, Malaysia is 300 times bigger than Hong Kong. For GDP, the data of Hong Kong, Malaysia and Singapore are very similar. Since the population size is very different, hence the GDP per capita of Malaysia is relatively low, which is 11,400 billion USD while Hong Kong is 48,800 billion USD. These elements affect the prices of products of Malaysia.

Malaysia has highly skilled labor, including lots of engineers, lawyers, accountants, and fantastic physical and digital infrastructure, with a competitive quality of internet for mobile phones and broad band. Malaysia has abundant natural resource, such as in agriculture, oil, and gas, and has advantages in manufacturing production, especially in semi-conductor and electronic sector. Malaysia is said to produce a lot of electric and electronical products, but they are not to produce DVD machines or radios but semi-conductors. Most of components of our laptop or mobile phones come from Malaysia. Thus, there are high chances for Malaysia engineers to work in Silicon Valley or Suzhou because they are the pioneers in this sector. 37% of Malaysia's export are about semi-conductor products, which is also supported by governmental initiatives. There are some reasons that make the Malaysia a competitive location for investments:

a) Skilled labor
b) Cheap land, construction cost, electricity, and water price
c) No withholding tax for dividend payment to Hong Kong
d) Companies can be 100% foreign owned
e) No restrictions on overseas remittance
f) Corporation tax at 24%
g) Ideal for exports to USA and China (RCEP)

ASEAN is a zone with 10 countries, and the ideal location to set up a regional head quarter is Malaysia. The reasons could be Malaysia's multi-lingual staff, good logistics infrastructure, digital free trade zone and low operating cost. The governmental website provides services in different languages, which is not usually found in many other ASEAN countries. A couple years ago, Jack Ma, the managing director of Alibaba, a Chinese IT company, went to Malaysia and promoted the construction of digital free trade zone. The function of the zone could be generalized by three components:

- eFulfilment Hub: To help SMEs / businesses in exporting their goods easily, with the help of leading fulfilment service providers.
- Satellite Services Hub: To connect SMEs / businesses with leading players who offer services like financing, last mile fulfilment, insurance and other services which are important in cross-border trade.
- eServices Platform: To efficiently manage cargo clearance and other processes needed for cross-border trade.

Malaysia has 13 states, and each state has its own strength and weakness. Investors could pick the right state to start business and find what they want. Every state has its own investment agency. If investors would like to know more about investments in Malaysia and the related professionals and high-skilled labor, they could join MAYCHAM as a member.

Ms Janice Chew - Principal, JC Legal

With 14 years of legal practicing experience in Malaysia and Hong Kong, Janice leads the broad practice of JC Legal in cross-border corporate and commercial law, dispute resolution and *regulatory compliance.*

Trained in commercial litigation, Janice has an eye for the priorities and risks in different business natures and scales and serves to empower entrepreneurs with her legal expertise by designing bespoke solutions. Her clients range from technology startups to industry leaders in venture capital, e-commerce, telecommunications, and licensed financial services.

Well-connected with professionals in ASEAN, Janice often advises on cross-border projects such as mergers and acquisitions, joint ventures, offshore funds, and international dispute resolution. She also supervises two corporate offices based in Hong Kong and Kuala Lumpur to facilitate professional support.

Janice is a frequent speaker at industry and training events. She holds multiple civic duties including Deputy Chairperson of The Malaysian Association of Hong Kong, Trade and Services sub-committee member of the Malaysian Chamber of Commerce (Hong Kong & Macau), Committee Vice-President of the Hong Kong Federation of Women Lawyers, and Board Chairperson of Uplifters, a registered charity empowering migrant workers. In 2019, Janice was honoured by Prestige as 40 under 40 in Hong Kong

Ms. Chew introduced how to do business in Malaysia in three parts. The first is about how to set up a company in Malaysia, secondly the employer's obligations and thirdly a case study. The situation in Malaysia is similar with that in Hong Kong in terms of setting up a company.

The responsible authority is Companies Commission of Malaysia (SSM) and the only entity available for foreigners is the Sendirian Berhad, equivalent to private limited company in Hong Kong. Malaysia also has offshore entity, the Labuan Company. And the paid-up capital is RM 1 for 1 share. As to paid-up capital, for 100% foreign-owned company in Malaysia with consultation and advisory as the main business, the minimum paid-up capital is about HKD 1 million. If investors have import and export businesses, there will be a minimum of paid-up capital of HKD 2 million. There is another entity that people could invest, which is the joint venture. But Malaysian partner should have at least 50% of share-holding control. The minimum paid-up capital is about HKD 300,000. As to the formation process, which is also like Hong Kong, the company should have 1 shareholder at least, 1 resident director, who is aged 18 or above with valid residential address in Malaysia, 1 company secretary, which should be the member of any prescribed professional bodies with residence within Malaysia, and the registered business address in Malaysia. Hong Kong citizen and passport holder could be one of the directors of the Malaysian company, if the company have at least one resident director.

For the second part of this insight sharing, the employer's obligation is mentioned because the labor law in Malaysia is quite different from that in Hong Kong. There is a new regulation just passed in Malaysia, the ePPAx. If Hong Kong investors would like to set up a company in Malaysia, and apply for the permission to employ foreign workers, they have to implement a process required by MYFutureJobs, Integrated Foreign Workers Management System (ePPAx), and Expatriate Service Division (ESD). The company is required to advertise the job vacancy for at least 30 days in the MYFutureJobs portal, thus the opportunity is guaranteed to be accessed by local people. And the company should conduct interviews with shortlisted local candidates, complete and submit a Hiring Outcome Report via email to the Talent Executive Office of Social Security Organization (SOCSO) to obtain clearance from the Expatriates Hiring Committee if local candidates are not suitable. If there are any special situations, the company could apply for exemptions. Importantly, in Malaysia, there is no business visa, investors could use employment visa instead.

The minimum wage in Malaysia is RM 1200 per month or RM 5.77 per hour in Malaysia. Certain statutory leave will be scheduled for all employees.

Employees employed for	Annual Leave (days)	Sick Leave (days)
< 2 years	8	14
2-5 years	12	18
> 5 years	16	22

The Employees' Provident Fund has two parts. The contribution part by the employee is 9% or 11% of monthly salary. These rules have been modified for employees whose contribution is 11%, they can choose to contribute 9% instead. For the employer part, the data is 12% or 13% or above of monthly salary. Regarding the social security, the employment injury and invalidity schemes is contributed by 1.75% of employer's share and 0.5% of employee's monthly salary. The employment injury scheme is contributed by the employer with 1.25% of employee's monthly salary.

The last part is about a case study. As 100% foreign-owned companies are permitted in Malaysia, many clients have asked about how to own the Malaysia subsidiary by the Hong Kong company. The mother company in Hong Kong could incorporate a private limited company in Malaysia, and the 100% stakeholder could be the Hong Kong company.

Panel Discussion:

Ms. Ezzwanee Ahmad - Trade Commissioner / Consul, Consulate General of Malaysia - Trade Section, MATRADE Hong Kong

The job of MATRADE is to promote bilateral trade between Malaysia and Hong Kong. Malaysia is a multi-cultural country, with many Chinese and Indians. The underlining core value in Malaysia is to respect differences. The main tip for foreign investors is to consider the business based on different ethnic groups. 70% population are Malays and most of them are Muslims.

When meeting with Muslim businesswomen, it is better to be sensitive. People are advised to pay attention to their body language, voice tone, and expressions. In business negotiations, people may not mention topics about politics unless they have known each other for a long time. Unlike the work culture in Hong Kong in which people usually express opinions directly and conduct business in a fast and straight way, Malaysian people may take more time to understand what the partners want from them and what they can offer. Do not show anger in public and avoid touching head. People should address the first name of Malaysian people rather than calling them by their father’s name. There are a few special titles in Malaysia. The federal government and the state government tend to give these special titles to certain individuals. Malaysian really value these titles, such as Tun, Tan Sri, and so on because they are prestigious. When doing business with people with these titles, it is wise to address them accordingly.

The commonly spoken language in Malaysia are Bahasa Malay and English. English has become the second language of Malaysia that almost everyone can speak. Other ethnic groups have their own languages, such as Chinese and Indian.

Q: What did the Malaysian government do in education to foster local talents?

Mr. Muhammad Sawaddee Islamuddin:
Malaysian government has invested a lot in education. Apart from universities, there are training institutions for skilled workers. For any new investors, especially high-end industry such as electric and electronical sector, if the talent is not available, the company could develop customized training programs like Penang Skill Development Center dedicated for electric and electronic industry. There are institutions that support automotive industry, machinery, and engineering. Some companies developed programme with local universities to train the final year students. The current policy requires that 80% of general workers in a company should be local people.

Mr. Yap Wei Sin:
The Malaysian government has invested a lot in education, including public universities. The private higher education environment in Malaysia is also mature and very developed. For

example, there is a Xiamen University campus in Malaysia, which is the first prominent Chinese university with a campus outside mainland China.

Q: What is the potential of digital currency in Malaysia?

Mr. Muhammad Sawaddee Islamuddin:
The Malaysian government has been working with technological companies to promote the development of digital currency.

Mr. Yap Wei Sin:
Malaysia established the digital economy blueprint and became the first in the region to embrace the 5G eco-system. The government is very focused on moving up the value chain. The central bank has planned a project on digital currency.

Linda Li: As a multi-religious country, what foreign investors should bear in mind if they want to invest in Malaysia?

Mr. Yap Wei Sin:
Malaysia is a business-friendly country. If Hong Kong investors apply to set up the business in Malaysia, the location will be very urbanized area of Malaysia. There exists some cultural sensitivity that you would better pay attention to, but most of the people are very adaptable.

Ms. Ezzwanee Ahmad:
People in Malaysia understand that foreigners may not know very well about their way of life, especially that of Muslims. Therefore, one does not have to be worried too much but just be sensitive about their culture.

Mr. Muhammad Sawaddee Islamuddin:
We have been independent for 60 years already. We have Malaysian Chinese, Malaysian Indian and Malaysian Malay. But there are many cross-culture marriages in Malaysia. There are a lot of similarities between Hong Kong and Malaysia, such as the way of doing business and the legal system. For food, there are many options. For instance, there are many Chinese restaurants in Malaysia.

Phyllis Mo:
What are the potentials for Hong Kong professionals, such as accountants and lawyers, to expand their business in Malaysia?

Lawrence:
Malaysia is very similar to Hong Kong. The salary level of professionals in Malaysia could be a reference.

Janice:
The main attractive side for Malaysia is the labor. Many CPA set up their back offices in Malaysia. In different jurisdictions, you need to have related qualifications. If Hong Kong professionals would like to expand their business in Malaysia, they need to have someone who is qualified in Malaysia as well. Apart from that, you may have a back office to support your functions and operations in Hong Kong. I am qualified in Malaysia and Hong Kong. Therefore, I can set up law firms both in Malaysia and Hong Kong.

Ms. Ezzwanee Ahmad:
Malaysia encourages cross-border trade where Malaysian people would conduct business with partners from Hong Kong and Mainland China, and vice versa. A lot of Hong Kong enterprises or Malaysia enterprises require a local expertise in setting their business abroad. Malaysia has many businesses in Africa and Middle East. This could be the opportunity for Hong Kong professionals to become partners of Malaysia firms and enter those markets, especially the Muslims market in engineering and related industry. Malaysian companies also need guidance if they want to enter the market in the Greater Bay Area. These are opportunities for both sides.

Appendix

Research Centre for Sustainable Hong Kong (CSHK),
City University of Hong Kong
"Professional Services Advancement Support Scheme" (PASS)

Advancing Professional Development
on Economic and Trade Cooperation Zones
Along Belt and Road

Project Brief

The Research Centre for Sustainable Hong Kong (CSHK) of City University of Hong Kong is funded by the 'Professional Services Advancement Support Scheme' (PASS) of the Commerce and Economic Development Bureau, HKSAR Government to conduct a Project entitled 'Advancing Professional Development on Economic and Trade Cooperation Zones Along Belt and Road', with the objectives to enhance the understanding of Hong Kong professional services on Economic and Trade Cooperation Zones (ETCZs) along the Belt and Road countries, deepen the understanding of key stakeholders of ETCZs on the competitive edges of Hong Kong professional services and business sectors; and explore potential development opportunities via exchange of ideas and sharing of analyses.

From January 2021 to March 2022, the Project will organize 6 professional workshops and 2 symposia (opening and closing), inviting zone operators, local enterprises, professional service leaders, expert scholars and government officials as speakers to conduct comprehensive and in-depth sharing on opportunities, challenges and experiences of overseas development in 7 countries (Cambodia, Sri Lanka, Vietnam, Malaysia, Djibouti, Belarus and Myanmar) and their respective ETCZs. A tentative schedule is as follows:

Date	**Programme**
7 January 2021	Opening Symposium
8 February 2021	Professional Training Workshop 1 – Cambodia
27 April 2021	Professional Training Workshop 2 – Sri Lanka
11 June 2021	Professional Training Workshop 3 – Vietnam
19 August 2021	Professional Training Workshop 4 – Malaysia
26 October 2021	Professional Training Workshop 5 – Belarus & Djibouti
16 December 2021	Professional Training Workshop 6 – Myanmar
March 2022	Closing Forum

Activities are all free-of-charge, and they will mainly be conducted in English5 to project a global orientation and facilitate participation of overseas stakeholders. Each participant will get a training pack containing country information and analysis for each professional training workshop. Investment / enterprises representatives, representatives from professional service sector, scholars and students who are interested in understanding more about ETCZs are welcome to participate and interact to discover more opportunities for collaboration.

The Project is supported and collaborated by a number of professional bodies and business chambers in Hong Kong, including Certified Management Accountants, Australia (Hong Kong Branch), Hong Kong Chinese General Chamber of Commerce (CGCC), Hong Kong General Chamber of Commerce (HKGCC), Hong Kong Institute of Certified Public Accountants (HKICPA), Law Society of Hong Kong and The Society of Chinese Accountants and Auditors (SCAA) (names listed in alphabetical order). We thank Golden Resources Group and Red Circle Company Limited for sponsoring the Project generously. Our Supporting Organizations include Association of Women Accountants Hong Kong, Hong Kong Electronic Industries Association, Hong Kong Financial Services Development Council, Hong Kong PolyU MBA Alumni Association, Hong Kong Trade and Development Council, and JCI Jayceettes. Our Supporting Units from City University of Hong Kong, including CityU Eminence Society, College of Business, CityU-TsinghuaU EMBA+MPA Programme, College of Engineering, College of Liberal Arts and Social Sciences, College of Science and School of Law.

Prof Linda Chelan Li, Professor at Department of Public Policy and Director of CSHK, is Project Co-ordinator and Prof Phyllis Lai Lan Mo, Professor at Department of Accountancy, is Deputy Project Co-ordinator. Project team members include Dr Linda Yin-nor Tjia, Assistant Professor at Department of Asian and International Studies and Dr Wilson Chan, Adjunct Professor at College of Business.

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