

# LCQ22: Enhancing the competitiveness of the securities market of Hong Kong

Following is a question by Dr the Hon Tan Yueheng and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 25):

Question:

According to the statistics released by an accounting firm, Hong Kong ranked sixth in the world in terms of funds raised through initial public offerings (IPOs) in the first quarter of this year, with the amount slumping nearly 90 per cent year-on-year to only about \$13.6 billion, hitting a record low in nearly nine years. On the other hand, some members of the financial sector are of the view that, as announced by the Hong Kong Exchanges and Clearing Limited (HKEX) in March this year, the contents of the three strategic pillars (i.e. Connecting China and the World, Connecting Capital with Opportunities and Connecting Today with Tomorrow) to be implemented are relatively vague and general and lack concrete measures, and the pillars are unattractive to investors. In this connection, will the Government inform this Council:

(1) whether it has conducted an in-depth analysis of the reasons for the slump in the amount of IPO funds raised in Hong Kong in the first quarter of this year; if so, of the details, including whether there were reasons other than the epidemic;

(2) of the measures in place to boost Hong Kong's IPO fundraising market, as well as the specific implementation timetable;

(3) whether it knows the specific measures that the HKEX has put in place in the short to medium term (i.e. three to five years) to implement the aforesaid three strategic pillars, as well as the new highlights and breakthroughs of such measures; and

(4) whether it knows the specific proposals that the HKEX has put in place to pursue differentiated development, so as to cope with the competition from other exchanges in the region?

Reply:

President,

In 2022, the uncertainties in global economy and financial markets have brought tremendous challenge to worldwide markets, among which the stock markets have been particularly volatile. The Government, the Hong Kong Exchanges and Clearing Limited (HKEX) and financial regulators have been closely monitoring market conditions to ensure that Hong Kong's stock market

and financial system are operating in an orderly and smooth manner, while continuing to take forward market development and endeavouring to enhance the overall competitiveness of Hong Kong's listing platform.

In consultation with the Securities and Futures Commission (SFC) and the HKEX, my reply to the four parts of the question is as follows:

(1) In light of various macroeconomic factors such as heightened geopolitical tensions, uncertainty of COVID-19 situation, inflation and interest rate increase by major central banks, the leading financial markets around the globe have been relatively volatile in recent months. Initial public offerings (IPOs) have also been affected as issuers generally are more cautious. According to market information, the amount of fund raised through IPOs globally decreased by more than 50 per cent year-on-year in the first quarter. The ranking on IPO fund raised of other markets, such as the major exchanges in the United States and Europe, also declined. The ranking on IPO fund raised of Nasdaq dropped from the first in 2021 to the fifth in the first quarter, whereas the ranking of New York Stock Exchange and London Stock Exchange, which were the second and sixth in 2021 respectively, fell out of the global top ten places. As an international financial centre, Hong Kong's IPO performance was also affected by external factors. Notwithstanding this, the HKEX received 22 new listing applications in April 2022, and was processing a total of 168 listing applications as at the end of April. This reflects that the demand for listing has not slowed down.

(2) Despite the short term market situation, the Government, SFC and the HKEX are committed to continuously strengthening the competitiveness of our fundraising platform, building a solid foundation for future development. Over the past few years, we implemented a series of enhancements to the listing regime in forging a more diverse, dynamic and sustainable listing platform, promoting the prosperity of the securities market.

To cater for the fundraising needs of emerging and innovative companies, the HKEX launched a new listing regime in April 2018 to allow emerging and innovative enterprises that have weighted voting rights (WVR) structures and pre-revenue / pre-profit biotechnology companies to list in Hong Kong, and establish a new concessionary route for qualifying issuers to seek secondary listing in Hong Kong. As at the end of April 2022, a total of 74 companies had been listed through the new regime with \$580.7 billion raised, representing over 40 per cent of the total fund raised through IPOs in the same period. Hong Kong has also become Asia's largest and the world's second-largest fundraising hub for biotechnology.

The HKEX launched a listing regime for special purpose acquisition companies (SPACs) in January 2022, introducing a brand new listing avenue for emerging enterprises with potential. At the same time, the HKEX has implemented enhancement measures to allow Greater China companies without WVR structures which are not from innovative sectors to seek secondary listing in Hong Kong and offer greater flexibility for issuers seeking dual-primary listings. Such measures would further attract quality "China Concept Stocks" to list in Hong Kong and provide more choices to investors, thereby

increasing market liquidity.

The Financial Secretary announced in the 2022-23 Budget that, in order to cater for the emerging new economy in the Mainland in recent years and considering the fundraising needs of large-scale advanced technology enterprises, SFC and the HKEX would review the Main Board Listing Rules and, having due regard to the risks involved, examine the revision of the listing requirements to meet the fundraising needs of such enterprises. The HKEX is approaching relevant market participants for views, with a view to putting forward concrete recommendations as soon as practicable.

In addition, in response to market views, the HKEX commenced a review on the functions and positioning of GEM last year, and established a dedicated panel under the Listing Committee to handle the work concerned. The review will be conducted under the principle of further strengthening the competitiveness of Hong Kong as a global premier listing hub and enhancing the overall quality of the Hong Kong capital market. Alongside facilitating different types of enterprises to list in Hong Kong, the HKEX will take into consideration market attractiveness and liquidity, and safeguard the interests of the investing public. The HKEX is engaging different parties and will make reference to the experiences of similar markets in other places.

(3) and (4) The HKEX unveiled in March 2022 its vision to build the "Marketplace of the Future", with a view to facilitating the two-way capital flows between East and West as well as delivering vibrant and diversified markets, thereby strengthening Hong Kong's position as an international financial centre. Building on Hong Kong's unique advantages in leveraging the strengths of our country and engaging the world, the HKEX put forward three strategic pillars, namely "Connecting China and the World", "Connecting Capital with Opportunities", and "Connecting Today with Tomorrow". The HKEX has devised concrete measures in the short, medium and long term under each of the three strategic pillars. With the continuous growth of the Mainland economy and the opportunities brought by Hong Kong's position in connecting the financial markets in the Mainland and the rest of the world, the HKEX will enhance Hong Kong's overall competitiveness relative to other overseas markets. The concrete details and measures on the HKEX's vision have been uploaded to its dedicated webpage [www.hkexgroup.com/about-hkex/about-hkex/our-strategy](http://www.hkexgroup.com/about-hkex/about-hkex/our-strategy).

Overall speaking, leveraging on the Mainland strength, the HKEX will continue to bring the Mainland growth story to international investors, while facilitating Mainland enterprises to raise funds in Hong Kong and Mainland capital in offshore asset allocation through the Hong Kong capital market. By further developing the mutual access programme and growing its portfolio of Mainland-related product offerings, the HKEX's goal is to develop Hong Kong into Mainland's go-to offshore hub for fundraising, trading, and risk management. In the short term, the HKEX will work to expand the mutual access schemes, take forward the inclusion arrangements for exchange traded funds (ETFs) in Stock Connect and allow stocks traded via the Southbound Trading of Stock Connect to be denominated in Renminbi. The HKEX will also look into including more products and services under the mutual access programme, such

as listed bonds, and expand the suite of risk management tools in equity and fixed income products.

In addition, the HKEX is committed to enhancing the depth, vibrancy and diversity of its markets, strengthening Hong Kong's position as a premier fundraising, risk management and trading hub by improving the primary market attractiveness and enabling more efficient trading, clearing and settlement. Apart from the initiatives mentioned in part (2) and this part as above, the HKEX will also strive to optimise the efficiency of IPO price discovery, as well as to enhance the trading hours of derivatives products and trading calendar of mutual access programmes, thereby enhancing market structure.

In face of the new trends including digitisation, tokenisation, big data, personalised finance, and the new mission of incorporating environmental, social and governance (ESG) considerations, the HKEX is actively developing digital capabilities and exploring new opportunities in digital assets, ESG, private markets and other emerging sectors, leveraging its data as well as agile and modern infrastructure to develop new business. In the short and medium term, the HKEX plans to launch FINI (Fast Interface for New Issuance), an electronic IPO settlement platform, and will look into the introduction of ESG equity index derivatives and voluntary carbon credit trading, as well as enhance its Sustainable and Green Exchange (STAGE).

Over the next few years, the HKEX will, in collaboration with the Government, take forward various business reforms following the above plans and drive the development of the local financial services sector in collaboration with the Government, with a view to supporting the development of the financial market for the future of Hong Kong.

---

## **Government finishes exercise on “restriction-testing declaration” in respect of specified “restricted area” in Oi Chiu House, Tin Oi Court, Tin Shui Wai, and enforcement operation for breaches of compulsory testing notice**

The Government yesterday (May 24) exercised the power under the Prevention and Control of Disease (Compulsory Testing for Certain Persons) Regulation (Cap. 599J) to make a "restriction-testing declaration" effective

from 5pm yesterday, under which people (hereafter referred to as "persons subject to compulsory testing") within the specified "restricted area" in Tin Shui Wai (i.e. Oi Chiu House, Tin Oi Court, Tin Shui Wai, excluding Tin Oi Court Management Office on G/F) were required to stay in their premises and undergo compulsory testing. Persons subject to compulsory testing were required to stay in their premises until all such persons identified in the "restricted area" had undergone testing and the test results were mostly ascertained.

Moreover, the Government issued a compulsory testing notice yesterday, requiring persons who had been present at the above building for more than two hours from May 18 to May 24, 2022, even if they were not present in the "restricted area" at the time when the declaration took effect, to undergo compulsory testing on or before May 26, 2022. The Government announced the completion of the compulsory testing exercise at around 7.30am today (May 25) and carried out enforcement action in the "restricted area" afterwards to verify that all people in the "restricted area" had undergone compulsory testing in accordance with the requirements of the relevant declaration and compulsory testing notice. The Government announced that the enforcement operation ended at around 9.50am today.

Staff from the Agriculture, Fisheries and Conservation Department, the Home Affairs Department (including the Yuen Long District Office), the Hong Kong Police Force, the Food and Environmental Hygiene Department and the Department of Health took part in this exercise to arrange for implementation of the declaration and enforcement actions for breaches of the compulsory testing notice issued earlier.

The Government provided food packs for persons subject to compulsory testing to facilitate their meal arrangements. Anti-epidemic proprietary Chinese medicines donated by the Central Government and rapid antigen test kits were also distributed to persons subject to compulsory testing to help them fight against the virus.

The Government thanks persons subject to compulsory testing for their support and understanding. With everyone's co-operation and efforts, coupled with the efforts of the testing contractors throughout the night, residents have been informed about their testing results by SMS notification. After finishing the compulsory testing exercise at around 7.30am today, the Government took enforcement action in the "restricted area" immediately to verify that all people in the "restricted area" had undergone testing according to the requirements of the declaration and the compulsory testing notice. Persons who could present an SMS notification containing a negative testing result or wore a wristband as proof of having undergone the compulsory testing could leave the "restricted area" through the designated exit after providing personal information to a prescribed officer. The enforcement operation was completed at around 9.50am. Test records of 759 persons subject to compulsory testing were checked. Four persons were found not having undergone compulsory testing and compulsory testing orders were issued to them. Taking into account the above situation, the Secretary for Food and Health revoked the "restriction-testing declaration" in accordance with Cap. 599J (see attachment).

The Government reminds the 68 households who have not answered the door to undergo a nucleic acid test as soon as possible after reading the notices put up by the Government, in the hope of eliminating the possible risk of further spread of the virus in the community.

The Government thanks all participating government staff and the testing agencies for their hard work. The Government is also grateful to those subject to compulsory testing for their support and understanding, and their full co-operation during this period in undergoing testing and waiting for the results at home.

The Government will seriously follow up on the compliance situation of the compulsory testing notices and the "restriction-testing declaration" by persons subject to compulsory testing. Any person who fails to comply with the compulsory testing notices commits an offence and may be liable to a fixed penalty of \$10,000. The person will also be issued with a compulsory testing order, requiring him or her to undergo testing within a specified time frame. Failure to comply with the order or the "restriction-testing declaration" is an offence and the offender may be liable to a fine of level 5 (\$50,000) and imprisonment for six months.

---

## **Government announces latest situation of fresh food supply from Mainland**

A Government spokesman announced today (May 25) that the supply of fresh food from the Mainland yesterday (May 24) was sufficient and stable.

According to the latest information, the quantity of vegetables supplied from the Mainland to Hong Kong yesterday (as of midnight) by land and water transportation was over 2 600 tonnes, comparable to the average daily supply from the Mainland on a normal day. The volume of vegetables sold through the wholesale markets of the Agriculture, Fisheries and Conservation Department (AFCD) and the Vegetable Marketing Organization was over 894 tonnes. The average wholesale prices of choi sum and pak choi stood at \$6.0 and \$5.9 per catty respectively yesterday, comparable to their average daily wholesale prices last year. The supply of eggs to the wholesale market remained steady, with the average daily supply standing at about 3.5 million for the past week, comparable to the average daily supply on a normal day last year.

The total supply of chilled meat from the Mainland yesterday was about 43 tonnes. The supply of live pigs was plentiful.

The supply of chilled poultry from the Mainland was over 150 000 head yesterday, and over 8 000 live chickens were slaughtered locally. The supply was abundant.

Regarding the rice supply, in compliance with the requirement by the Government, stockholders of rice have to maintain the reserve stock of rice at a level sufficient for consumption by the local population for 15 days. The trade generally stocks double the required amount, which is sufficient for one month's consumption by Hong Kong citizens. In recent years, the import and consumption of rice in Hong Kong has stood at a steady level of around 320 000 to 330 000 tonnes per year. The import quantity (including reserve stock) as of end-April 2022 was 28 800 tonnes. Suppliers also maintain a reserve for food that can be stored, such as frozen meat, for around three months' stock generally.

The Government will continue to maintain close liaison with the Mainland authorities and major food suppliers to ensure a stable food supply.

The AFCD updates and publishes the fresh food supply information daily. Members of the public may visit the AFCD website for updates on daily supplies and wholesale prices of fresh food ([www.afcd.gov.hk/english/agriculture/agr\\_fresh/agr\\_fresh.html](http://www.afcd.gov.hk/english/agriculture/agr_fresh/agr_fresh.html)).

---

## [Labour Department to hold occupational health public talks](#)

The Labour Department (LD) will hold a public talk entitled "Prevention of Lower Limb Disorders and Guidance Notes on Standing at Work" on June 1 (Wednesday) at 3.30pm. The talk will introduce symptoms of common lower limb disorders such as plantar fasciitis, varicose veins and osteoarthritis of the knee, as well as their treatment and preventive measures. Participants will also be briefed on the content of the LD's publication "Guidance Notes on Standing at Work and Service Counter Design". The talk will be given by the LD's occupational hygienist and occupational health nurse. Demonstrations and practice of workplace exercises will also be included.

The LD will hold another talk, entitled "Occupational Safety and Health (OSH) for Confined Space Workers", on June 9 (Thursday) at 6.30pm. To enhance workers' OSH awareness in confined spaces, the talk will explain the related OSH hazards as well as their preventive measures. The talk will be given by the LD's occupational hygienist, occupational safety officer and occupational health nurse.

Both talks will be conducted in Cantonese at the Lecture Theatre of the Hong Kong Central Library, 66 Causeway Road, Causeway Bay. Admission is free but pre-registration is required. Interested participants can register online ([www.oshsreg.gov.hk](http://www.oshsreg.gov.hk)). On-site registration is not available. Infection control measures taking into account the latest epidemic developments will be adopted at the venue. For enquiries, please call 2852 4040.

---

## Firing practice for June 2022

Firing practice will take place at two military sites, namely the San Wai/Tai Ling Firing Range and the Tsing Shan Firing Range, next month (June).

Red flags or red lamps will be hoisted at the firing areas before and during firing practice. For their safety, people are advised not to enter the firing area.

Following are the dates and times for the firing practice sessions in June 2022:

### San Wai/Tai Ling Firing Range

---

Date	Time
June 1 (Wednesday)	8am-9pm
June 2 (Thursday)	8am-9pm
June 4 (Saturday)	8am-9pm
June 6 (Monday)	8am-9pm
June 7 (Tuesday)	8am-9pm
June 8 (Wednesday)	8am-9pm
June 9 (Thursday)	8am-9pm
June 10 (Friday)	8am-9pm
June 11 (Saturday)	8am-9pm
June 13 (Monday)	8am-9pm
June 14 (Tuesday)	8am-9pm
June 15 (Wednesday)	8am-9pm
June 16 (Thursday)	8am-9pm
June 17 (Friday)	8am-9pm
June 18 (Saturday)	8am-9pm
June 20 (Monday)	8am-9pm
June 21 (Tuesday)	8am-9pm
June 22 (Wednesday)	8am-9pm
June 23 (Thursday)	8am-9pm
June 24 (Friday)	8am-9pm
June 25 (Saturday)	8am-9pm
June 27 (Monday)	8am-9pm
June 28 (Tuesday)	8am-9pm
June 29 (Wednesday)	8am-9pm
June 30 (Thursday)	8am-9pm

### Tsing Shan Firing Range

---

Date	Time
------	------



June 1 (Wednesday)	8am-9pm
June 2 (Thursday)	8am-9pm
June 4 (Saturday)	8am-9pm
June 6 (Monday)	8am-9pm
June 7 (Tuesday)	8am-9pm
June 8 (Wednesday)	8am-9pm
June 9 (Thursday)	8am-9pm
June 10 (Friday)	8am-9pm
June 11 (Saturday)	8am-9pm
June 13 (Monday)	8am-9pm
June 14 (Tuesday)	8am-9pm
June 15 (Wednesday)	8am-9pm
June 16 (Thursday)	8am-9pm
June 17 (Friday)	8am-9pm
June 18 (Saturday)	8am-9pm
June 20 (Monday)	8am-9pm
June 21 (Tuesday)	8am-9pm
June 22 (Wednesday)	8am-9pm
June 23 (Thursday)	8am-9pm
June 24 (Friday)	8am-9pm
June 25 (Saturday)	8am-9pm
June 27 (Monday)	8am-9pm
June 28 (Tuesday)	8am-9pm
June 29 (Wednesday)	8am-9pm
June 30 (Thursday)	8am-9pm