

Opening remarks by CE at LegCo Chief Executive's Question and Answer Session

Following are the opening remarks (English translation) by the Chief Executive, Mrs Carrie Lam, at the Chief Executive's Question and Answer Session in the Legislative Council today (January 12):

Mr President and Honourable Members,

Good morning. First of all, let me congratulate the Hon Andrew Leung on being re-elected as the President of the Legislative Council (LegCo), continuing to lead the LegCo in fulfilling its responsibilities in the four years ahead. Today is the first meeting of the Seventh LegCo of the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China (PRC). The display of the national and regional emblems in the Chamber marks a milestone of the political system of the HKSAR. The current-term LegCo is the first Council formed by the HKSAR in accordance with the decision passed by the National People's Congress (NPC) in March last year and the subsequent amendment of Annex I and Annex II to the Basic Law by the Standing Committee of the NPC to implement the improved electoral system of the HKSAR, ensuring "patriots administering Hong Kong". Last Monday, with myself as the Administer of Oath, all 90 Members solemnly took an oath to uphold the Basic Law and swear allegiance to the HKSAR of the PRC and from then on, you will duly perform the constitutional functions of the legislature. I hereby extend my congratulations again to each and every elected Member and promise that the governing team under my leadership will co-operate wholeheartedly with all Members during my tenure of office.

Today is the first Council meeting convened under the current-term LegCo. As our top priority remains to put under control the epidemic situation caused by the Omicron variant with our best endeavours, I believe Members' questions to be raised later on will focus on this issue. As I have publicly talked about our anti-epidemic efforts on quite a number of occasions during the past week, I would like to take this opportunity of attending the Council Meeting to brief Members on our work on three other fronts instead, i.e. to foster an executive-legislature relationship, take forward the development of the Northern Metropolis and re-organise the Government structure.

Executive-legislature relationship

Over the years, those who are anti-China and who have attempted to destabilise Hong Kong had tried to politicise council businesses and made it difficult for the LegCo to fully perform its functions in fostering mutual co-operation with the executive authorities while exercising checks and balances, and supporting the executive-led approach in developing the economy and improving people's livelihood. Since the opposition Members left the

LegCo at the end of 2020, 2021 has been a fruitful year marked with a constructive and interactive relationship between the LegCo and the executive authorities with remarkable achievements. The LegCo passed 46 Government bills last year, doubling the average of past years. Over \$320 billion was approved for the Government to take forward infrastructure and other livelihood projects. I have also exercised the constitutional power of the Chief Executive to approve in writing two Private members' Bills. Such achievements brought about by the co-operation between the executive authorities and the legislature have opened up an era of good administration and governance.

Members of the current-term LegCo have come from different backgrounds, trades or professions which reflect their broad representation and political inclusiveness. Irrespective of whether they were elected through the Election Committee Subsector, functional constituencies or geographical constituencies, they will reflect the voices of different sectors in society, and despite their differences, they will work in harmony for the well-being of the people and the development of Hong Kong. My governing team and I look forward to working in full co-operation with all Members to produce actual results in our work under the improved electoral system, so that our efforts will earn recognition of the public and demonstrate the advantages of the new system and lay a solid foundation for the healthy and long-term development of democracy in Hong Kong.

In support of the work of the LegCo, I will regularly attend the Question and Answer Sessions of varying durations to respond directly to Members' questions. I also request officials to give simple, clear and well-justified replies to the oral questions at the Council meetings. In the process of policy formulation, the Secretaries of Departments and Directors of Bureaux should also have formal or informal exchanges with Members and consult the relevant LegCo Panels as early as possible. The Chief Secretary for Administration will also maintain communication with the Chairman and Deputy Chairman of the House Committee through weekly meetings. The HKSAR Government itself will certainly spare no effort in information dissemination and public communication on policies to enlist public support.

Enacting and amending laws are the important functions of the LegCo. When delivering the 2021 Policy Address, I announced 40 legislative proposals proposed to be presented to the current-term LegCo. These 40 proposals cover legislative proposals with strong policy content known at the time. They have not included the more technical legislative amendments. Hence, there will eventually more bills to be introduced into the current-term LegCo. Many of the 40 proposals are issues of concerns among incumbent Members, including amending the Copyright Ordinance for which a consultation exercise is underway, introducing mandatory reporting to prevent child abuse, raising the maximum penalties for occupational safety and health offences, abolishing the "offsetting" arrangement under the Mandatory Provident Fund system, streamlining the statutory procedures for land development, and enacting local legislation to implement Article 23 of the Basic Law in Hong Kong. The Chief Secretary for Administration is in the process of co-ordinating the legislative programme of the current session, which will be submitted to the

LegCo for reference in due course. It seems that this year's legislative work will be pretty heavy.

The Northern Metropolis

The Northern Metropolis is a key plan to map out the future of Hong Kong in my 2021 Policy Address. Its planning concepts and spatial layout will facilitate Hong Kong's integration into the overall development of our country and help us seize the opportunities brought about by the Greater Bay Area (including Qianhai), as well as our attempt to usher into a new era by addressing problems such as economic transformation, employment, housing, transport and imbalanced territorial development.

Since the promulgation of the Northern Metropolis Development Strategy (the Development Strategy), as at end of last year, we have taken stock of over 300 editorials and commentary articles. The community in general supports the development of the Northern Metropolis with fairly positive responses, some of which stated that the Government "should be recognised as it has demonstrated a broader and holistic mindset and setting for development", and "brought hopes that the housing shortage problem could be resolved", while some pointed out that the Government "should have the determination and courage to act out of the box" to rise up to the tremendous challenges posed by the implementation of the Development Strategy. There were many well-intentioned criticisms, including, among others, execution is the key, as well as the need to expedite implementation by streamlining and removing red tapes, overcome the problem of manpower shortage in the construction and other industries, and strengthen cross-bureaux collaboration.

To meet the community expectations on the Northern Metropolis, I have urged the relevant bureaux to lose no time in taking follow-up actions on various key issues in respect of the Development Strategy. Before I move on to talk about specific projects, let me reiterate the importance for society to create favourable enabling conditions for the Development Strategy, so as to ensure that the vision can be followed through and accomplished.

First, the land development process should be substantially streamlined. To achieve full implementation of the Development Strategy within 20 years, bold decisions should be made to compress the land planning process. The Development Bureau will introduce to the LegCo specific proposals on streamlining land development process in this quarter, which will cover a number of ordinances such as the Town Planning Ordinance, the Lands Resumption Ordinance and the Environmental Impact Assessment Ordinance.

Second, there should be effective land consolidation and disposal. We will study the development of innovation and technology (I&T) land under a mixed development mode. Apart from continuing to develop multi-storey industrial buildings for the production and research and development (R&D) undertaken by small and medium enterprises, we will consider adopting the "two-envelope" tender approach for granting land to major I&T enterprises, after taking into account both the technical and price proposals. Such enterprises will be allowed to build R&D or production facilities on their

own, thereby attracting high-end manufacturing industries and R&D institutes to establish a presence in Hong Kong. In addition, there is a considerable amount of Tso/Tong land in the Northern Metropolis. The Home Affairs Bureau and the Heung Yee Kuk have convened their first meeting to discuss unlocking the development potential of Tso/Tong land.

Third, policies conducive to the development of industries and talents should be formulated. Apart from land policy, we need to be more open-minded in considering policy incentives to attract enterprises and talents from the Mainland and overseas to come to Hong Kong for development. The Global STEM Professorship Scheme launched in mid-2021 is a huge success, showing the attractiveness of Hong Kong to overseas quality R&D talents. Recently, I have convened inter-bureau meetings within the Government to discuss policies and specific measures to pool and retain talents and human resources in Hong Kong.

Fourth, the execution mechanism should be strengthened. As large-scale development projects straddle across various policy bureaux, I have proposed in the Policy Address that the next-term Government may consider creating a Deputy Secretary of Department post to steer large-scale regional developments such as the Northern Metropolis and the Lantau Tomorrow Vision, and strengthen high-level steer, promote cross-bureaux collaboration, formulate indicators for performance monitoring, and liaise closely with the Shenzhen Municipal Government. I will talk about the part on re-organisation of the Government structure a moment later.

I hope that Members can actively share their views with the Government on the several aspects mentioned above when discussing the Development Strategy inside and outside the Council in future. I will now brief Members on the progress and direction of several key initiatives.

- With reference to the transport infrastructure-led concept, the HKSAR Government has discussed three cross-boundary projects of the five railway projects recommended in the Development Strategy with the Shenzhen Municipal Government at the working level. I plan to visit Shenzhen and meet with the leaders of the Municipality for an exchange of views in due course. On the Hong Kong side, the Transport and Housing Bureau is considering the locations for additional stations along the Hong Kong section of the Hung Shui Kiu/Qianhai Railway. Regarding the northern spur line of the Northern Link, we have requested the MTR Corporation Limited to submit technical and financial proposals of the spur line within this year.
- An important objective of the Development Strategy is to create more land for housing, I&T and commercial development, which involves an additional 600 hectares of land and 160 000 to 180 000 residential units in four areas. The Development Bureau has incorporated the two areas of the San Tin Technopole and the Lo Wu/Man Kam To Comprehensive Development Node into the planning and engineering studies on the San Tin/Lok Ma Chau Development Node, and the New Territories North New Town and Man Kam To that commenced in October last year. As for the other two areas, namely the expansion of the Hung Shui Kiu/Ha Tsuen New

Development Area (HSK/HT NDA) to cover Tsim Bei Tsui, Lau Fau Shan and Pak Nai, and the extension of the Kwu Tung North New Development Area (KTN NDA) to cover Ma Tso Lung, the relevant studies will commence within this year. Furthermore, the Development Bureau is planning to re-zone three hectares of Business and Technology Park sites in the KTN NDA for housing development in the second half of this year.

- Compared with the new town developments in the past, we have attached greater importance to employment opportunities in the Northern Metropolis. Apart from the San Tin Technopole, the HSK/HT NDA within the Northern Metropolis enjoys the advantage of its proximity to Qianhai on the opposite side of the Shenzhen Bay, and has the potential to develop into a business and modern services centre. I have instructed that the Government should take up the role as the pioneer and relocate certain non-location-bound government departments to the Northern Metropolis to promote development of the region and create employment opportunities there. The Development Bureau has already identified a site in the KTN NDA for the construction of a government complex. The Government Property Agency will also complete a study in the first quarter of this year to decide on the government offices to be relocated to the Northern Metropolis. To lend support to this move, the Hong Kong Housing Society has taken the lead to set aside space in its Northern Metropolis regional office in Fanling to set up the first proptech co-working space in Hong Kong in collaboration with Cyberport. Start-ups will be invited to set up their businesses in the co-working space within the year.
- We need to plan early for the provision of major community facilities in the Metropolis to make it a liveable place. When the Secretary for Food and Health and I met with the Chairman and the Chief Executive of the Hospital Authority earlier on, both sides agreed in principle that three hospitals would be provided in the Northern Metropolis either by expansion or construction. Among them, the expansion of the North District Hospital has commenced and will provide an additional 1 500 beds upon completion in 2028. The Kwu Tung North Hospital, which is expected to become the core hospital in the Northern Metropolis, will provide at least 1 600 beds according to preliminary estimates. Given its proximity to the San Tin Technopole, the Kwu Tung North Hospital will serve as a research hospital with comprehensive functions. It will provide treatment and consultation services and engage in medical R&D and fulfill teaching purposes as well, thus achieving synergy with life sciences industry in the San Tin Technopole. Furthermore, the Food and Health Bureau is considering increasing the number of beds in the proposed Hung Shui Kiu Hospital to over 2 000. In addition to public hospitals, we also plan to allocate land in the Northern Metropolis for the development of private hospitals. Besides, the Home Affairs Bureau will submit funding application to the LegCo for the construction of a cultural centre in Fanling within this year.
- The Northern Metropolis attaches importance to urban-rural integration and co-existence of development and conservation. To ascertain the coverage and management models of the three Wetland Conservation Parks respectively located in Nam Sang Wai, Sam Po Shue and Hoo Hok Wai, the Sha Ling/Nam Hang Nature Park and the Hong Kong Wetland Park Extension Area, as well as to assess the effectiveness of relevant measures on

creating environmental capacity, the Environment Bureau is making preparations for the commissioning of a consultancy study within this year. Besides, the Bureau plans to commence the statutory procedures for the designation of Robin's Nest as a country park in the second half of this year. In addition, the Security Bureau will open up the Sha Tau Kok Pier, currently within a closed area, in the second quarter of this year, allowing group tours to go sight-seeing and shopping in "designated zones" or take a ferry at the Pier to tourist attractions like Lai Chi Wo and Kat O. It is planned that a public consultation on the feasible options of further opening up the Sha Tau Kok Town (except Chung Ying Street) will be carried out by the end of this year.

Re-organisation of the government structure

"One cannot make bricks without straw". A rationalised government structure will be conducive to promoting policy innovation and enhancing the effectiveness of governance. I have mentioned in the 2021 Policy Address the significance of re-organisation of the government structure and put forward five initial ideas. I have also made it clear that such ideas are only intended to stimulate further thought. The current-term Government will, upon consultation with stakeholders, work out a detailed re-organisation proposal for discussion by the Seventh Term Legislative Council. It will then submit the proposal together with the views of Members to the Chief Executive-elect, to be returned by election on March 27, 2022, to consider whether the proposal should be implemented by the next-term Government.

After discussion within the Government for three months and having regard to stakeholders' views, the current-term HKSAR Government has put forth the re-organisation proposal as follows:

1. to set up a new Culture, Sports and Tourism Bureau to take over the culture, arts and sports portfolios from the Home Affairs Bureau, as well as the film, creative industries and tourism portfolios from the Commerce and Economic Development Bureau. Consolidating the culture, sports and tourism portfolios currently within the ambits of different bureaux under the Culture, Sports and Tourism Bureau can better steer and promote the development of the cultural industries of Hong Kong, which be conducive to creating synergy for the development of Hong Kong as an East-meets-West centre for international cultural exchange as stated in the 14th Five-Year Plan;
2. to split the Transport and Housing Bureau into two policy bureaux. The Housing Bureau upon re-organisation will take full charge of the housing policy which tops the agenda, especially in expediting public housing production for people to move in as early as possible; optimising the use of existing public housing resources to help the needy; supporting households who have been waiting for public rental housing allocation for a long time; enriching the housing ladder by making home ownership more affordable; and closely monitoring the private residential market, etc. The Bureau can also focus on steering the Hong Kong Housing Authority and the Housing Department in implementing the array of new initiatives on housing introduced by the current-term Government, review

and adjust the measures in a timely manner, as well as maintain close liaison with the Hong Kong Housing Society, the Urban Renewal Authority and the MTR Corporation Limited to increase housing supply by joining forces with public organisations;

3. to re-title the policy bureau responsible for transport matters after the split as the Transport and Logistics Bureau to clearly reflect its dual role of taking charge of both external and internal transport matters. Under the transport infrastructure-led concept, Hong Kong will take forward various local and cross-boundary transport infrastructure projects and conduct territory-wide traffic and transport strategic studies in the next few years. The separate Transport and Logistics Bureau will be better positioned to focus more on handling these internal transport matters and can also better manage external transport issues, with a view to promoting the development of the maritime transport, air services and logistics industries, as well as consolidating and enhancing Hong Kong's status as an international transportation centre and an international aviation hub under the 14th Five-Year Plan;
4. to revamp the Food and Health Bureau as the Health Bureau which will be dedicated to medical and health policies. Apart from making continued efforts to fight the COVID-19 epidemic, the Health Bureau will press ahead with a number of major policy initiatives including implementing the two Ten-year Hospital Development Plans, promoting the development of Chinese medicine and drawing up the Primary Healthcare Development Blueprint. To ensure the sustainable development of our public healthcare system and support the development of industries, it is imperative for Hong Kong to update our public health strategies, step up efforts in monitoring and facilitating the development of health technology and the research and development of drugs, and resolve the problem of medical manpower shortage. We should also review the existing arrangement for clinical data, clinical trials and drug registration, etc. to assist in promoting the life and health technology industry;
5. to re-organise the Home Affairs Bureau and rename it as the Home and Youth Affairs Bureau to highlight policy focuses on district administration and youth work. The Home and Youth Affairs Bureau will step up efforts with a district-based approach and enhance social solidarity, as well as review and formulate the overall youth policy and a blueprint for youth development so as to encourage young people to participate in public affairs, and promote, co-ordinate and oversee the implementation of youth work by various policy bureaux. The Bureau will also conduct a comprehensive review on district administration and the way forward of District Councils;
6. to re-title the Innovation and Technology Bureau as the Innovation, Technology and Industry Bureau to reflect its mission of driving the application of I&T and smart production under the policy of re-industrialisation. The Innovation, Technology and Industry Bureau will enhance the policy function of re-industrialisation and strive to build an industry chain for I&T, which fully covers R&D, financing, production and even commercialisation, including exploring ways to attract more advanced manufacturing uses to the San Tin Technopole in the Northern Metropolis so that smart production can take root in Hong Kong, thereby

- building a more complete I&T ecosystem;
7. to expand the Environment Bureau and rename it as the Environment and Ecology Bureau to take over the policies on environmental hygiene, food safety, agriculture and fisheries, and veterinary public health etc. currently under the purview of the Food and Health Bureau to achieve better synergy. For example, the collection, recycling, delivery and treatment of waste can, upon re-organisation, be brought under the same roof and within the purview of the Environment and Ecology Bureau for greater cost-effectiveness, so as to facilitate the implementation of the policy initiatives on municipal solid waste charging, etc. and better integrate the development of agriculture and fisheries with natural ecology so that the modern agriculture and fisheries industries can be developed in a sustainable manner; and
 8. to consolidate and rationalise certain policy portfolios and related division of work in order to establish dedicated policy desks for such policies and to reduce dispersed functions. Examples include consolidating the currently dispersed policy portfolios on manpower development, poverty alleviation and retirement protection and transferring them to the Labour and Welfare Bureau.

With the aforesaid re-organisation proposal, the number of policy bureaux will increase from 13 under the current-term Government to 15. I propose that nine policy bureaux will be put under the supervision of the Chief Secretary for Administration, while the Financial Secretary will oversee the remaining six in order to achieve a more balanced division of responsibilities between them.

As I have pointed out in the part on the development of the Northern Metropolis, the next-term Government may consider the creation of the post of Deputy Secretaries of Departments to take forward and co-ordinate large-scale regional developments such as the Northern Metropolis and the Lantau Tomorrow Vision. Other matters requiring high level co-ordination include cross-bureaux issues such as national security, climate change and manpower policy. However, since whether the post of Deputy Secretaries of Departments should be created or not is a matter of the style of governance, it should be considered by the Chief Executive-elect.

We will issue a paper on the re-organisation proposal (see Annex) to the Legislative Council today to brief Members on the details. Under the leadership of the Chief Secretary for Administration, Directors of Bureaux concerned and colleagues responsible would brief Members at relevant Panels of the Legislative Council on the proposal and listen to Members' views. Members may also express their views during the debate on the motion of thanks in respect of the 2021 Policy Address. We aim to submit the proposal and Members' views for the Chief Executive-elect's consideration after the Chief Executive Election on March 27, 2022. The current-term Government will render full support by submitting to the Legislative Council the re-organisation proposal that is deemed appropriate by the Chief Executive-elect as soon as possible. All vetting and approval procedures concerned should be completed by early June 2022 to allow sufficient time for the Chief Executive-elect to complete the constitutional procedures of appointing

principal officials, so that the new government structure will come into operation starting from July 1, 2022.

Concluding remarks

Mr President and Honourable Members, with the leadership and staunch support of the Central Government, Hong Kong has got back on the right track of "One Country, Two Systems". This year also marks the important occasion of the 25th anniversary of Hong Kong's return to the Motherland. In the remainder of my tenure, I will lead my governing team to the best of my ability to work with the new-term Legislative Council and establish a constructive and interactive relationship between the Government and the Legislature. We will work in a rational and pragmatic manner to address long-standing problems in society in order to win the acclaim and recognition from members of the public on the improved electoral system, and to build a bright future together.

Government finishes exercise on "restriction-testing declaration" in respect of specified "restricted area" in Tuen Mun and enforcement operation for breaches of compulsory testing notice (with photo)

The Government yesterday (January 11) 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 7.30pm yesterday, under which people (hereafter referred to as "persons subject to compulsory testing") within the specified "restricted area" in Tuen Mun (i.e. Block 3, Po Tin Estate, 99 Ming Kum Road, Tuen Mun, New Territories, Hong Kong) 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 December 29, 2021, to January 11, 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 January 13, 2022. The Government announced the completion of the compulsory testing exercise at around 7am today (January 12) 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 10am today.

In this exercise, the Housing Department, the Yuen Long District Office, the Hong Kong Police Force and the Tobacco and Alcohol Control Office of the Department of Health mobilised around 200 staff to arrange for implementation of the declaration and enforcement actions for breaches of the compulsory testing notice issued earlier.

The Government provided simple food for persons subject to compulsory testing, including canned food, instant noodles and corn, so as to facilitate the dinner arrangements of some persons subject to compulsory testing. One box of masks was also provided to each person subject to compulsory testing to help them fight against the virus.

The Housing Department set up a hotline for people restricted by the declaration to make enquiries and seek assistance.

The Government thanks persons subject to compulsory testing for their support and understanding. With everyone's co-operation and efforts, coupled with the tireless efforts of the testing contractors, residents have been informed about their testing results by SMS notification. After finishing the compulsory testing exercise at around 7am 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 test 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 10am. Test records of around 600 persons subject to compulsory testing were checked. Ten persons were found to have not 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 expects that the 194 households who have not answered the door will contact the Government for arrangement of testing 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 \$5,000. 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 4 (\$25,000) and imprisonment for six months.



Temporary suspension of electricity supply in Penny's Bay Quarantine Centre

Due to urgent maintenance of the electricity system in Penny's Bay Quarantine Centre (PBQC) conducted by the Electrical and Mechanical Services Department, the electricity supply for some units will be temporarily affected in the afternoon today (January 12).

During the urgent maintenance, the electricity supply for around 417 units in Phase 1 of PBQC will be temporarily suspended from 2pm to 5pm. Electrical appliances in the units will not be able to function during the period. The daily operation and services of the PBQC will not be affected. The medical post situated in Phase 3 of PBQC will operate as normal.

The staff of PBQC has informed the confinees concerned by WhatsApp messages and broadcast announcements of the relevant arrangements. Extra manpower has been arranged to respond to the needs of the confinees.

Speech by FS at Asia Private Equity Forum 2022 (English only)

Following is the video speech by the Financial Secretary, Mr Paul Chan, at the Asia Private Equity Forum 2022 today (January 12):

Eric (Co-Chair of the Asia Private Equity Forum Mr Eric Mason), Jie (Co-Chair of the Asia Private Equity Forum Ms Jie Gong), Rebecca (Chairwoman of the Hong Kong Venture Capital and Private Equity Association, Ms Rebecca Xu), Distinguished guests, ladies and gentlemen,

Welcome to the annual Asia Private Equity Forum, the 20th edition.

My thanks to the Hong Kong Venture Capital and Private Equity Association for this welcome opportunity to speak to you once again. This is, by my count, the fifth year in a row I have addressed the Forum – the past two years online.

So, yes, the pandemic is still very much with us, still disrupting the global economy, distressing the world at large. This year's Forum theme, "Regulatory Risk and the Continuing Impact of the Virus", speaks clearly to the continuing influence it has on business – on each and every one of us.

We are now well into devising the 2022-23 Budget, which I will deliver next month. And we have, as you know, begun public consultation on the Budget.

I was pleased to receive a submission from your Association, offering well-considered suggestions to help expand Hong Kong's private equity (PE) and venture capital business and, in the process, boost the industry's long-term prospects. Rest assured, your advice will be carefully considered in the context of Hong Kong's economic future.

The good news is that this past year has been reassuring and, for many, rewarding. Hong Kong's economic growth in 2021 is expected to have reached a cheering 6.4 per cent.

Our strong showing comes despite the relentless volatility of the pandemic and its consequences.

Indeed, our financial system remains stable and remarkably resilient. In 2020, the sector contributed 23 per cent of our GDP, making the financial sector the undisputed engine of the Hong Kong economy.

In September, Hong Kong reclaimed third place in the Global Financial Centres Index, just behind New York and London.

And I'm confident that financial services and our local economy will continue to flourish. That's thanks to the National 14th Five-Year Plan, which supports our continuing growth as an international financial centre and

our ambition to become an international innovation and technology hub. Thanks, also, to the implementation of the National Security Law, which has returned stability and confidence to our society and the economy, as well as the enhancements to our electoral system, under which two elections have recently been successfully concluded, putting an end to the previous chaos and political impasse in Hong Kong.

Together, these political developments not only cemented the foundation of "one country, two systems" and provided maximum safeguards for Hong Kong to harness the strengths under the arrangement, but also reshaped the landscape of good and effective governance and propelled Hong Kong into a new development phase, where we can focus on the future – on building a flourishing economy, and a more cohesive community, for our city.

Zooming in our asset and wealth management sector. At the end of 2020, Hong Kong had US\$4.5 trillion in assets under management, up 21 per cent year on year. Foreign investors, I'm pleased to say, accounted for 64 per cent of that total. More specifically on the private equity industry, Hong Kong is the largest hub in Asia outside the Mainland, with capital under management of over US\$170 billion and around 600 private equity firms as of September 2021, many of which are regional headquarters of global firms.

The HKSAR Government is intent on boosting Hong Kong's status as an international asset and wealth management centre. As you know, we are working to enhance Hong Kong's strengths as Asia's private equity hub in three discrete ways. Central to the overall strategy is bridging capital markets and the real economy, especially innovation and technology start-ups.

The first step was the modernisation of our fund structure regime. The latest move was the introduction of the limited partnership fund structure in August 2020. It has, I'm pleased to report, been very well received by the sector, your Association members included. In the past year or so, more than 400 funds have been established.

The second step was offering attractive tax concessions. The recent one is exempting carried interest payable by private equity funds operating in Hong Kong. This, coupled with the fund-level tax exemption regime rolled out in 2019, provides a competitive tax environment with clarity and certainty for private equity funds.

Our third step was the establishment, in November, of the fund re-domicile regime. It was designed to attract foreign funds to Hong Kong, taking good advantage of on-shoring of funds from traditional offshore hubs.

We are working to further enhance the legal and regulatory environment conducive to the development of the private equity industry in Hong Kong. For example, we introduced reforms in 2018 that allowed the listing of companies with weighted voting rights and pre-revenue biotech companies. Starting this year, special purpose acquisition companies, or SPACs, can be listed on our stock exchange, further broadening the exit channels for private equity investors in Hong Kong.

Taking a broader perspective, I would like to share with you three key trends that are affecting the entire financial sector.

First is the growing financial clout of wealthy individuals and families. Family offices in particular, are becoming another important investor segment alongside the traditional asset owners such as pension funds and foundations. They are keen to invest in alternatives including private equities.

We're working hard to develop Hong Kong into a family office hub. Hong Kong enjoys some natural advantages by being the world's second-largest city for billionaires. In 2020, our billionaire population saw the largest net increase of any city in the world.

Last year, Invest Hong Kong set up FamilyOfficeHK, a global team dedicated to helping Mainland and overseas family offices find their way to Asia's world city. In the past six months, nine family offices have done so.

Since my budget announcement last year, the Government has been working with the industry to study tax concessions for family offices. The Government is aiming to release more details shortly.

All these should help attract more family offices to Hong Kong and broaden the investor base of our PE industry. Good news, I'm sure, for our asset and wealth management sector and Association members.

The second important sector-wide development is in relation to the Mainland. The launch, in September, of the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area was an important milestone. It gives you direct access to the growing concentration of high-net-worth individuals in the Greater Bay Area. Gives you, in short, a vast and largely untapped market to pursue for the long haul.

As the newest member of our Connect schemes, the Wealth Management Connect has made a smooth start. Nineteen eligible Hong Kong banks have launched their services together with their respective Mainland partner banks. Up to end-December, over 22 000 investors have opened Wealth Management Connect accounts, and over 5 000 cross-boundary remittances amounting to over RMB400 million have been completed.

In the fullness of time, I am confident that the scheme will further grow in breadth and depth and bring mutual benefits to both Hong Kong and the Mainland. Similar to the other Connect schemes, we will be adopting a phased approach of enhancement and will review whether certain design parameters can be relaxed to expand the scope of service, including quota management, product scope and sales process. From a policy perspective, we expect that Wealth Management Connect will promote the cross-boundary use of the Renminbi and continue to reinforce Hong Kong's standing as the world's offshore Renminbi business hub.

Hong Kong's status as the largest and most important global offshore Renminbi business hub has continuously been strengthened over the years, and

this is reflected by various Renminbi business indicators. Hong Kong counts the largest pool of Renminbi liquidity in the world outside the Mainland, amounting to over RMB800 billion. As the most important offshore Renminbi clearing hub, Hong Kong's banks handle about 70 per cent of offshore Renminbi payments.

Hong Kong is also an important Renminbi financing centre, hosting the largest offshore Renminbi bond market. The rising issuance of offshore Renminbi bonds in Hong Kong underlines our role as the Mainland's major capital-raising gateway. Last year, the Ministry of Finance issued Renminbi sovereign bonds totalling RMB20 billion in Hong Kong. Last October, the Shenzhen Government also issued offshore Renminbi municipal government bonds here. This further enriches the offshore Renminbi product range and showcases Hong Kong as the premier platform facilitating the Mainland to go global.

Going forward, we will undertake a number of initiatives to develop an even more vibrant offshore Renminbi ecosystem in Hong Kong, including further building up the offshore Renminbi liquidity pool, enriching the related foreign exchange and interest rate derivatives market, increasing the utilisation of Renminbi in bonds, loans, equities and other securities products, as well as strengthening our depository service by developing the Central Moneymarkets Unit into an international central securities depository in the long term.

Hong Kong provides unparalleled access to the Mainland markets through our Connect schemes. Currently, around two-thirds of holdings of Mainland stocks by international investors are held through the Stock Connect, and more than half of international investors' turnover in onshore bonds is traded through the Bond Connect. We'll continue to expand channels for the two-way flow of cross-boundary Renminbi funds. For example, we are working to promote the trading of Renminbi-denominated securities in Hong Kong, which includes exploring whether stocks denominated in Renminbi can be included in southbound trading under Stock Connect. The Mandatory Provident Fund (MPF) Schemes Authority is also looking to enable MPF investment in government and policy bank bonds issued in the Mainland.

Apart from private wealth and the Mainland, the third key trend is in relation to environmental, social and governance, or ESG. ESG is fast emerging as a central consideration among asset managers, as wealth holders increasingly look to putting their assets where their values lie. ESG and climate change will bring also many new investment opportunities as trillions of dollars are needed to support development of low-carbon, smart and resilient infrastructure. The Forum's agenda makes that clear.

Hong Kong's financial future will be built on green and sustainable finance. The Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the heads of the Securities and Futures Commission and the Hong Kong Monetary Authority, will steer our financial sector towards carbon neutrality before 2050.

As priorities, they will focus on taxonomies, climate-related disclosures and sustainability reporting, the Centre for Green and

Sustainable Finance's work on capacity building and data, as well as carbon market opportunities.

These initiatives are highly relevant to many of you here today. For example, the disclosure requirement will allow you as investors to have more clarity and visibility over your investee companies' exposure to climate-related risks and their preparedness to capture the related opportunities. The capacity building effort will nurture homegrown ESG specialists and, together with our effort to attract international talent to Hong Kong through the Quality Migrant Admission Scheme's Talent List, should help plug the ESG skill gaps.

To create a demonstration effect, the Government has so far issued over US\$7 billion equivalent in green bonds, and just last November, issued a landmark triple-currency, multi-tranche offering denominated in US dollars, euros and Renminbi, with tenors ranging from three to 20 years. We will soon follow up with a retail tranche to raise the public's awareness. And we will continue our Green and Sustainable Finance Grant Scheme to subsidise and encourage the issuance of more green and sustainable bonds in Hong Kong.

The reforms and developments that I just mentioned would bring new opportunities to our private equity industry. I encourage you to make the best use of the Hong Kong platform to grow your operation.

Finally, ladies and gentlemen, I wish you all a fruitful Forum, and the best of business, investment and health in the new year.

Thank you.

List of environmental impact assessments in fourth quarter of 2021 released

The Environmental Protection Department today (January 12) released a list of completed and newly commenced statutory environmental impact assessments (EIAs) and non-statutory environmental studies for major development projects between October 1 and December 31, 2021.

Updated information related to the Environmental Impact Assessment Ordinance is available on its website at www.epd.gov.hk/eia.

Completed statutory EIAs and non-statutory environmental studies for projects in the fourth quarter of 2021 include:

A. Statutory EIAs:

1. Revised Trunk Road T4 in Sha Tin
(Civil Engineering and Development Department)
2. Relocation of Diamond Hill Fresh Water and Salt Water Service Reservoirs to Caverns
(Water Supplies Department)

B. Non-statutory environmental studies for projects:

Nil

Newly commenced statutory EIAs and non-statutory environmental studies for projects include:

A. Statutory EIAs:

1. Construction of Annex Block at Hong Kong Observatory Headquarters, Tsim Sha Tsui (EIA Study Brief no. ESB-347/2021)
(Hong Kong Observatory)
2. Tuen Mun Bypass (EIA Study Brief no. ESB-348/2021)
(Highways Department)
3. Reclamation for Kau Yi Chau Artificial Islands (EIA Study Brief no. ESB-349/2021)
(Civil Engineering and Development Department)
4. Kau Yi Chau Artificial Islands Development (EIA Study Brief no. ESB-350/2021)
(Civil Engineering and Development Department)
5. Hong Kong Island – Northeast Lantau Link (EIA Study Brief no. ESB-351/2021)
(Civil Engineering and Development Department)

B. Non-statutory environmental studies for projects:

Nil