

CE's speech in delivering "The Chief Executive's 2020 Policy Address" to LegCo (4)

V. New Impetus to the Economy

Economic Outlook

36. Economic development is the basis for a stable life for people. As the COVID-19 pandemic has dealt a heavy blow to economies around the world, reviving the economy and creating employment have become the most pressing issues. Over the past year, Hong Kong's economy has been severely hit by social unrest, the pandemic and international political situations. The labour market is also under immense pressure. The Government forecasts the economy to contract by 6.1% in 2020.

Development Strategy

37. As the overall strategy guiding economic development, the current-term Government emphasises leveraging our unique advantages under "One Country, Two Systems", integrating proactively into national development, striving to resolve the two major bottlenecks of land and talents, and investing substantially in I&T industries. At the same time, we continue to connect with the world to explore business opportunities. While promoting free trade and maintaining our market economy, the HKSAR Government is committed to playing the role of a "facilitator" and "promoter" and will join hands with enterprises to explore more market opportunities and assist professional service providers to go beyond Hong Kong.

The Mainland as Our Hinterland

38. Since the inclusion of the Dedicated Chapter on Hong Kong and Macao in the outline of the National 12th Five-Year Plan, the Central Government has fully positioned Hong Kong's role in planning and taking forward the country's overall development. Furthermore, the Belt and Road (B&R) Initiative and the GBA development in recent years have provided unlimited opportunities for Hong Kong. While the US and European economies are falling into deep recession, our country has already regained economic growth momentum by vigorously suppressing and strictly controlling the epidemic. There is no reason for us not to take advantage of this development when we seek to inject impetus to relaunch our economy.

39. The fifth plenary session of the 19th CCCPC has recently adopted the Proposals for Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035, stating that reform and innovation will be the fundamental driving forces to accelerate the establishment of a new development pattern featuring "dual circulation", which takes the domestic market as the mainstay while enabling

domestic and foreign markets to interact positively with each other. While the main element of the “dual circulation” strategy is to expand domestic demand, it does not mean our country is closing the door to the outside world. Instead, the Mainland’s economy will open up in a wider scope, a broader spectrum and at a deeper level, so as to make better use of international circulation to enhance domestic circulation.

40. Being a highly market-oriented and an international economy underpinned by the rule of law, Hong Kong’s development opportunities under our country’s new development pattern are evident. Given the advantages under “One Country, Two Systems”, Hong Kong can further strengthen its “intermediary” role in international circulation. Besides, we can focus on the business opportunities in the Mainland market, better integrate into the overall development of our country, take the GBA development as an entry point, and proactively become a “participant” in domestic circulation and a “facilitator” in international circulation. Playing the dual role well will bring continuous impetus to Hong Kong’s economy.

Consolidating Hong Kong’s Status as an International Financial Centre

Maintaining Financial Stability and Striving for Development

41. As an international financial centre, Hong Kong has weathered one crisis after another. In the face of the challenges of the COVID-19 pandemic and global economic turmoil, we have confidently demonstrated the resilience and stability of our financial system. The linked exchange rate system has been operating smoothly. The Hong Kong dollar exchange rate has been on the strong side with capital inflow. The aggregate balance of the banking system increased significantly in the past year, reflecting continued investors’ interest and confidence in Hong Kong’s capital market. The banking system remains robust with major banks’ average liquidity coverage ratio and average capital adequacy ratio exceeding 156% and 20% respectively, both well above the international regulatory standards. From end-2019 to end-September this year, the total deposits of banks grew by 7.3%. Other facets of the financial services sector such as the securities and insurance markets also continue to operate in an orderly manner. In these turbulent times of international and geopolitical tension, the Government and the financial regulators will continue to closely monitor financial market development to ensure financial stability.

42. The current-term Government has proactively taken the initiative to consolidate Hong Kong’s status as an international financial centre and strengthen its competitive edge. For example, in the last legislative session, we proposed and secured LegCo’s passage of five bills in a row to drive the market development of private equity funds, insurance and MPF. This significant, policy-driven development is also found in our securities market. Since the Hong Kong Exchanges and Clearing Limited amended the Listing Rules in April 2018, a total of 36 companies with weighted voting rights structure, pre-profit biotechnology companies and secondary listed companies have been listed in Hong Kong, with a total current market capitalisation of over HK\$11 trillion.

Deepening Mutual Access between the Mainland and Hong Kong Financial Markets

43. Hong Kong is our country's international financial centre. We have rolled out a number of policy initiatives for the mutual access of financial markets in recent years, facilitating both the opening up of the Mainland's capital market and the expansion of Hong Kong's financial services. The Central Government continues to support Hong Kong in consolidating and enhancing our status as an international financial centre. Apart from expediting the implementation of the cross-boundary wealth management connect scheme in the GBA, the Central Government has, during my visit to Beijing, agreed to include pre-profit biotechnology companies listed in Hong Kong under the new listing regime and stocks listed on the Mainland Sci-Tech Innovation Board meeting certain prescribed criteria into the stock universe of the mutual market access programmes. This initiative will add a bright spot to the mutual access of the financial markets of the two places.

Promoting Real Estate Investment Trusts in Hong Kong

44. We also strive to promote real estate investment trusts (REIT) in Hong Kong to develop Hong Kong into a vibrant REIT market in Asia. This will strengthen the capital raising function of Hong Kong as a premier asset and wealth management centre, and broaden the investment options with a relatively stable return for local investors. To this end, we are considering various measures through a multi-pronged approach, including relaxing the investment restrictions of REIT as appropriate, broadening the investor base, facilitating market operation through legislative and regulatory enhancements, and stepping up market promotion and investor education.

Further Promoting the Development of Private Equity Funds

45. With a view to consolidating Hong Kong's position as Asia's premier fund hub for private equity, we will provide tax concession for carried interest issued by private equity funds operating in Hong Kong subject to the fulfilment of certain conditions. We have consulted the industry and are formulating the legislative proposal with the aim of introducing an amendment bill into the LegCo shortly.

Family Office Business

46. The family office business has flourished in recent years, becoming an important growth segment in the wealth and asset management industry. To further develop the family office business in Hong Kong, InvestHK will set up a dedicated team to step up promotion of our advantages in local and other major markets, and offer one-stop support services to family offices which are interested in establishing a presence here.

Consolidating Hong Kong's Status as an International Aviation Hub

Three-Runway System Development

47. Capitalising on its advantages in terms of geographical location and

management, the HKIA has strived to reform for the better in recent years. Although the global aviation industry is badly hit by the COVID-19 pandemic, we maintain full confidence in Hong Kong as an international aviation hub. The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (Outline Development Plan) also explicitly mentions Hong Kong's status as an international aviation hub. The Airport Authority Hong Kong (AAHK) will commission the third runway in 2022 and the entire Three-Runway System in 2024 as planned. It is expected that the premium logistics centre will be completed in 2023 and the SKYCITY development projects will be completed in phases between 2021 and 2027.

Hong Kong-Zhuhai Airport Co-operation

48. The AAHK has been operating and managing the Zhuhai Airport under a franchise since 2006 with excellent results. The commissioning of the HZMB provides an opportunity for further co-operation between the two airports by integrating the Mainland aviation network of the Zhuhai Airport with the international network of the HKIA, strengthening the competitive edge of the entire GBA in aviation, thereby enabling Hong Kong's aviation business to play a key dual role in the "dual circulation" policy. I have earlier put forth a series of recommendations to the Central Government on consolidating and enhancing Hong Kong's status as an international aviation hub, which include allowing the AAHK to inject equity in the Zhuhai Airport on the basis of market principles for achieving greater synergy between the two airports. I would like to express my gratitude to the Central Government for its full support to these recommendations during my visit to Beijing. The Civil Aviation Administration of China has also agreed to commence preparation for the provision of cross-boundary commercial helicopter services between Guangdong and Hong Kong, which will enhance the internationalised business environment in the GBA.

Airport City

49. Moreover, to further leverage the HKIA's contribution in promoting Hong Kong's economic development, the HKSAR Government has accepted a number of proposals put forward by the AAHK:

- to develop automated car parks on the Hong Kong Boundary Crossing Facilities (HKBCF) Island of the HZMB where self-drive visitors from Guangdong and Macao driving their cars via the HZMB and fly out from the HKIA or visit Hong Kong can park their cars there. "Land-to-air" transfer passengers, after parking their private cars in the automated car parks, may proceed to the boarding gates directly through the Intermodal Transfer Terminal located within the restricted area of the airport without the need to go through Hong Kong's immigration clearance. Other visitors may go through clearance procedures at the Passenger Clearance Building at the HKBCF to enter Hong Kong after parking;
- to take forward the Airport City Link project connecting the SKYCITY and the HKBCF Island by constructing a bridge system and by applying autonomous transportation system to strengthen the overall transportation network and capacity, thereby connecting the SKYCITY, the HZMB Hong Kong Port and the

HKIA as one. As the next step, the AAHK plans to extend the autonomous transportation system of the Airport City Link to Tung Chung Town Centre and optimise the roads along the eastern coast of the Airport Island so as to provide a comprehensive and environmentally-friendly transport link connecting Tung Chung Town Centre, the Airport Island and the HKBCF Island;

- to construct the Hong Kong International Aviation Academy campus and student dormitories on the HKBCF Island, in order to strengthen talent training and attract more Hong Kong youth to join the aviation industry; and
- to reserve part of the land parcels on the HKBCF Island for the development of air cargo logistics and related supporting facilities for the airport community.

This innovative idea of optimising the use of the land adjacent to the airport will not only provide more job opportunities and a better living environment for the expanding Tung Chung community, but also inject new development elements and economic impetus into the whole North Lantau. The AAHK will brief the public on this project later.

(To be continued.)