

CE's speech in delivering "The Chief Executive's 2023 Policy Address" to LegCo (4)

International Financial Centre

70.* Hong Kong is a leading international financial centre. It is also a global offshore Renminbi (RMB) business hub, an international asset management centre and a risk management centre. We will capitalise and unleash our advantages.

Strengthen the Competitiveness of the Stock Market

71.* A vibrant stock market is vital for upholding Hong Kong's status as an international financial centre and maintaining our competitiveness. The Task Force on Enhancing Stock Market Liquidity has submitted its report. I have accepted the Task Force's recommendations, and will implement the following:

(i) reduce stamp duty on stock transfer—We will reduce the rate of Stamp Duty on Stock Transfer from the current 0.13% to 0.1% of the consideration or value of each transaction payable by buyers and sellers respectively. The target is to complete the legislative procedures by the end of November;

(ii) review stock trading spread—The HKEX and the financial regulators will review and explore reducing the minimum trading spreads to facilitate the market prices of those liquid but spread-constrained stocks to better reflect market circumstances and reduce bid-ask spreads. The HKEX will consult the market on the specific measures in the second quarter of next year;

(iii) reduce market data fees—The HKEX will provide fixed fee enterprise data packages, and review the fee structure of its real-time data services so as to facilitate investors obtaining real-time market data and reduce relevant costs. The new fee structure will be implemented later this year;

(iv) reform GEM—The HKEX has put forward its recommendations on GEM (formerly known as the Growth Enterprise Market) reform and commenced consultation. It has proposed to streamline the transfer mechanism to the Main Board and add a new listing route for R&D-focused companies, among other proposals. After considering public views, the HKEX plans to implement the revised Listing Rules in the first quarter of next year; and

(v) continue to promote stock market development—As for the other recommendations from the Task Force for enhancing the competitiveness of the stock market and promoting its sustainable development, including promoting the listing of overseas issuers, facilitating share repurchase by issuers,

maintaining trading under severe weather, improving transaction mechanism, strengthening market promotion etc., as well as those on future directions for continuous market enhancement, I have asked the Securities and Futures Commission to work with the HKEX closely to comprehensively examine how to implement the recommendations.

Other Measures to Reinforce the Competitiveness as the Financial Centre

72.* We will strengthen the connection with domestic and overseas investors and markets to forge an innovative and diversified financial market. We will also seek to deepen mutual access with the Mainland financial market. Measures include the following:

(i) strengthen the offshore RMB business—The Government will continue to press ahead with the inclusion of RMB counters under the Southbound Trading of Stock Connect to facilitate the trading of Hong Kong stocks in RMB. We will take forward the introduction of offshore Mainland government bond futures and enrich the variety of RMB investment products, with a view to strengthening Hong Kong's position as an offshore RMB centre;

(ii) deepen financial co-operation in the GBA—We will take advantage of the financial reform and innovation measures in the Qianhai Co-operation Zone to expand the businesses of Hong Kong financial institutions in Qianhai. Relevant measures include facilitating Hong Kong's limited partnership funds to be qualified under the Qianhai Qualified Foreign Limited Partnerships (QFLP) to participate in private equity investment in the Mainland; and co-establishing the Shenzhen-Hong Kong Financial Co-operation Committee with the Shenzhen authorities in the first half of 2024. The committee will advise and offer suggestions in respect of bolstering mutual access to the financial markets, co-operation on financial technologies (Fintech) and green finance, and exchange of financial talents;

(iii) establish a new platform to expand fund distribution—We will establish a new integrated fund platform within next year to expand Hong Kong's fund distribution network, enhance market efficiency and lower transaction costs; and

(iv) promote the development of green and sustainable finance in Hong Kong—Drawing on the successful experience in the implementation of the Fintech Proof-of-Concept Subsidy Scheme over the past two years, we will launch a dedicated proof-of-concept subsidy scheme for green Fintech in the first half of 2024. The new scheme will promote the development of technological solutions and provide early-stage funding support for pre-commercialised green Fintech, conducive to expanding the green Fintech ecosystem and developing Hong Kong into a green Fintech hub.

Regional Intellectual Property Trading Centre

73. The Government will leverage our advantages in legal, taxation and professional services to develop Hong Kong into a regional intellectual property (IP) trading centre. We will:

(i) enhance the IP legal regime...The latest amendments to the Copyright Ordinance came into force in May to strengthen copyright protection in the digital environment. We will conduct consultation next year to explore further enhancement of the Ordinance regarding protection for AI technology development;

(ii) implement the "patent box" tax incentive...We will introduce a bill into the LegCo in the first half of next year to reduce the tax rate for qualifying profits derived from patents from the existing 16.5% to 5%, with a view to encouraging more R&D activities, as well as transformation and commercialisation of patented inventions;

(iii) plan for regulatory arrangements on patent agent services...The Government will take the lead in discussing with stakeholders to plan for the introduction of regulatory arrangements for local patent agent services, covering professional qualification requirements and registration, as well as the regulatory model and framework, with the aim of enhancing service quality and nurturing talents; and

(iv) boost trading of local original works...The Hong Kong Trade Development Council (HKTDC) will enrich the Hong Kong International Film and TV Market, Hong Kong International Licensing Show and Hong Kong Book Fair, as well as its Asia IP Exchange portal, with more trading elements, such as including more business-matching activities and providing additional market information on IP trading and professional support services (such as legal, mediation and arbitration, accounting, valuation, etc.), so as to strengthen support for local original works to exploit the Mainland and international markets.

International Shipping Centre

74. Hong Kong is a free port characterised by fast customs clearance, high efficiency and strong international connectivity. We also have a quality ship registry and a vibrant maritime cluster. The Government will continue to consolidate Hong Kong's premier position in ship registration, develop the city into a leading international maritime centre, and facilitate maritime collaboration within the GBA. Measures include the following:

(i) action plan on maritime and port development strategy...The Transport and Logistics Bureau (TLB) will publish an action plan later this year to enhance high-end maritime services, facilitate transformation towards zero emission, promote smart initiatives and digitalisation in the maritime industry, and promote exchanges and collaboration among maritime industries in the GBA and around the world;

(ii) promote the development of high value-added maritime services...The Commissioner for Maritime and Port Development under the TLB will co-ordinate efforts of various government departments and stakeholders to spearhead maritime development from an industry-oriented perspective, especially professional services such as maritime law, insurance, ship finance, etc., and develop our maritime strengths in collaboration with the trade;

(iii) expand the local maritime network... We have introduced tax concessionary measures for various maritime business services. Shipping commercial principals and overseas shipping companies have responded positively to the idea of establishing and expanding their businesses in Hong Kong. InvestHK will step up its recruitment efforts;

(iv) capitalise on Hong Kong's international position in maritime arbitration... Hong Kong is one of the four designated arbitration venues in the Baltic and International Maritime Council (BIMCO)'s global standard maritime contracts, and is among the leading cities in the world for maritime services. We will enhance our co-operation with various international maritime organisations, including deepening the operation of the BIMCO and the International Chamber of Shipping in Hong Kong, as well as strengthening our role as a gateway for international maritime enterprises and organisations to enter the Mainland market; and

(v) strengthen collaboration in the GBA... We will prepare for the next Greater Bay International Maritime Conference so as to promote the comprehensive strength of the GBA port cluster, and continue to enhance logistics co-operation with other GBA cities, such as those in the west bank of the Pearl River, so as to facilitate cargo transshipment via Hong Kong using the Hong Kong-Zhuhai-Macao Bridge (HZMB). We will also work with the GBA port cluster to jointly enhance teacher exchanges and provide multi-location training programmes to strengthen the training of maritime talents.

International Aviation Hub

75. The Hong Kong International Airport (HKIA) continued to rank first in cargo throughput in 2022, demonstrating its long-standing leading position as an international aviation and cargo hub.

76. The Government will continue to work with the AAHK to enhance the competitiveness of the HKIA. We will press ahead with the Three-Runway System and various projects under the "Airport City" vision, including SKYCITY, the premium logistics centre at the South Cargo Precinct and the smart airport, for developing core passenger and cargo transport services. We will:

(i) open up opportunities for cargo transport... Operating on a pilot basis, the HKIA Logistics Park set up by the AAHK in Dongguan allows export cargo from the Mainland to go through security screening, palletisation and cargo acceptance in advance in Dongguan before being transported by sea to HKIA for export by air, without the need to repeat screening procedures and thereby achieving savings in time and operating cost. The operation has been smooth to date, and the AAHK plans to complete the first-phase construction of a permanent facility for the logistics park by end-2025 so that the cargo handling capacity will reach one million tonnes per annum. Furthermore, new facilities are being completed for the development of the international aviation hub, including the express cargo terminal of DHL Express at the HKIA, scheduled for opening next month, and the premium logistics centre recently completed by a joint venture led by Cainiao Network;

(ii) introduce autonomous transportation system... The AAHK will introduce

an autonomous transportation system to carry passengers along the Airport City Link connecting SKYCITY and the Hong Kong Port Island of the HZMB from 2025 onwards, and it plans to extend the system to Tung Chung Town Centre in 2028;

(iii) enhance intermodal passenger service—Actively leveraging the complementarity with the Zhuhai Airport's aviation network in the Mainland, the HKIA will introduce the "Fly-Via-Zhuhai-Hong Kong" passenger service so that Mainland and international passengers can enjoy seamless travel between the Mainland and other places in the world via Zhuhai and Hong Kong in an "air-land-air" mode using the HZMB. In future, the new service will be promoted to more Mainland passengers; and

(iv) streamline screening of carry-on luggage—The AAHK will gradually introduce "Smartlane", beginning next year, so that passengers will not need to take out such items as liquids and electronic devices from their carry-on luggage during aviation security screening, making the screening process faster and more convenient.

Centre for International Legal and Dispute Resolution Services in the Asia-Pacific Region

77. The Government will continue to develop Hong Kong into a centre for international legal and dispute resolution services in the Asia-Pacific region. We will:

(i) extend the adoption of Hong Kong law and usage of Hong Kong's dispute resolution services by Mainland enterprises—We will strive for the extension of the measures of "allowing Hong Kong-invested enterprises to adopt Hong Kong law" and "allowing Hong Kong-invested enterprises to choose for arbitration to be seated in Hong Kong" from Qianhai, Shenzhen and Pilot Free Trade Zones in the Mainland to the whole GBA. We will also strive for state-owned enterprises' prioritisation of adopting Hong Kong law as the applicable law for their contracts, or choosing to use Hong Kong's dispute resolution services for resolving contractual disputes;

(ii) step up efforts in establishing interface with the Mainland—We will work with the Supreme People's Court on the establishment of a standing interfacing platform next year to take forward the research and practical work on judicial and legal matters relating to the GBA so as to address issues arising from the differences in the legal systems, including further enhancing the arrangement for cross-boundary service of judicial documents, studying the mechanism for mutual assistance in corporate bankruptcy proceedings, as well as matters relating to cross-boundary dispute resolution; and

(iii) deepen the mediation culture—Mediation is generally more affordable than commencing legal proceedings. The Government will enhance the mediation system by, for instance, strengthening the regulatory system on the accreditation and disciplinary matters of the mediation profession, incorporating standard mediation clauses in government contracts, and encouraging private organisations to incorporate similar clauses in their

contracts.

* As some contents of the Policy Address involve sensitive information related to stock market transactions, the Chief Executive has rearranged the sequence of some paragraphs for delivery after the market closes. In terms of paragraph sequence, the printed version shall prevail.

(To be continued.)