

Speech by FS at Asia Private Equity Forum 2025 (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Asia Private Equity Forum (APEF) 2025 today (January 15):

Rebecca (Chairwoman of the Hong Kong Venture Capital and Private Equity Association, Ms Rebecca Xu), Eric (Co-Chairman of the APEF 2025 Organising Committee, Mr Eric Mason) , Kent (Co-Chairman of the APEF 2025 Organising Committee, Mr Kent Chen), distinguished guests, ladies and gentlemen,

Good morning. It gives me great pleasure to address you today, for the eighth year in a row, at the Asia Private Equity Forum, annually presented by the Hong Kong Venture Capital and Private Equity Association. And my thanks to the Association for giving me this welcome opportunity to speak to you today.

Hong Kong's Comeback

It was just yesterday that the 18th Asian Financial Forum (AFF) came to a fruitful close here, attended by about 3 600 professionals from some 50 countries and regions. The success of the AFF, and high-profile events like today's Private Equity Forum, underlines Hong Kong's longstanding status as an international financial centre. For those of you here from abroad, a warm welcome to Asia's world city.

At last year's Private Equity Forum, I outlined the encouraging developments of our financial markets. One year on, Hong Kong's progress continues.

Hong Kong has regained the position of Asia's top financial centre, and among the world's top three along with New York and London. We are once again ranked the freest economy in the world, and among the top five in global competitiveness.

Bank deposits this past year rose some six per cent, or around US\$130 billion. By the end of 2024, our stock market's capitalisation stood at US\$4.5 trillion, rising by 14 per cent year on year. In 2024, we handled substantially more big-ticket IPOs (initial public offerings), with some US\$11 billion raised, contributing to our return to the fourth place in the global IPO market. Indeed, there are another 100 companies in Hong Kong's IPO queue today. Many in the market forecast that we will do even better this year. With more quality issuers and staunch support of the central authorities, we are confident that the liquidity of our stock market will be enhanced.

Indeed, last April, the China Securities and Regulatory Commission announced five measures to strengthen co-operation between the capital markets of Hong Kong and the Mainland.

They included strengthening mutual-market access, and encouraging more leading Mainland enterprises to list on the Hong Kong Stock Exchange.

Just two days ago, the People's Bank of China (PBoC) announced additional measures to support Hong Kong's development as an international financial centre. In particular, Governor Pan Gongsheng indicated that the PBoC will increase the asset allocation of the country's foreign reserves in Hong Kong. And the Mainland will work with us to strengthen financial connectivity, such as introducing RMB trade financing liquidity facility, enhancing the Southbound Bond Connect, facilitating the linkage of cross-boundary payment systems, and more.

Investment environment in 2025

Looking into the investment environment in 2025, there will be both challenges and opportunities. Higher for longer interest rates, geopolitical tensions, regional conflicts and climate change will pose more uncertainty and volatility to the financial markets.

But there are also ample room and opportunities for growth.

China's economy is expected to achieve a steady growth between four per cent and five per cent this year. In pursuit of high-quality development, our country is embarking on a development model that integrates exports, infrastructure development and private consumption. It is firmly committed to green transformation, innovation, reform and high-level two-way opening up. This will continue to drive the sustainable growth of its economy.

Emerging economies in the Global South like the Middle East and ASEAN (Association of Southeast Asian Nations) are experiencing rapid growth. With youthful populations, ambitious infrastructure development plans, expanding middle classes and growing consumer markets, these regions will be new sources of capital and present boundless investment opportunities.

Private equity under spotlight

Turning to private equity, I'm pleased to report that our private equity and venture capital sector remains strong and steady. In September last year, capital under management in private equity reached more than US\$230 billion, growing some five per cent compared to the end of 2023. Hong Kong continues to rank second in Asia, behind only the Mainland.

The Government is committed to creating fresh momentum for the private equity sector.

In my Budget last year, I announced plans to enhance the preferential tax regimes for privately offered funds, equities and single-family offices.

To this end, we've just completed an industry consultation. Measures proposed include expanding the definition of "fund" to cover pension funds and endowment funds, enlarging the scope of qualifying transactions for tax exemptions, and more.

And I'm pleased to note that the industry, including your Association, has provided valuable suggestions.

We are also striving to boost the liquidity for the private equity sector. In the Chief Executive's Policy Address in 2024, we announced initiatives to facilitate private equity funds to list on the Hong Kong Stock Exchange. We encourage eligible funds that invest in alternative assets to take advantage of this opportunity. To support this, our Securities and Futures Commission has been collaborating with the Hong Kong Stock Exchange, industry associations and interested fund managers to clarify the relevant rules and arrangements.

From a broader perspective, as we strengthen our connectivity with the capital markets in the Mainland and engage with emerging markets such as the Middle East and ASEAN, new sources of capital will be attracted to the private equity sector.

Over the years, we have implemented initiatives to facilitate Mandatory Provident Fund (MPF) investments into various asset classes, including sovereign bonds, Hong Kong Government bonds and A-shares. With a robust financial industry, we will continue to seek opportunities to diversify permissible investments within the MPF System, including private equity. Our objective is to enable fund managers to achieve better risk-adjusted returns for scheme members, while creating new opportunities for the sector.

Then, the Hong Kong Monetary Authority, HKMA, and the Hong Kong Investment Corporation Limited, HKIC, continue to engage private equity firms of different scales in their investment mandates. For instance, HKMA, under my instructions, has already set up a fund-of-funds mandate targeting general partners that raise smaller funds or have smaller assets under management. It came into operation last year. On the other hand, in December, HKIC announced the appointment of fund managers for the Investment Portfolio of the New Capital Investment Entrant Scheme. They include a number of home-grown managers.

These efforts are complemented by our initiatives to develop the asset and wealth-management sector and welcome more wealthy individuals to the city. That includes family offices. The number of family offices in Hong Kong now stands at more than 2 700, with half of them managing assets over US\$50 million. Moreover, our Capital Investment Entrant Scheme has garnered over 800 applications in ten months since its launch in March last year, potentially bringing around US\$3 billion in investments to Hong Kong. We believe these initiatives will create new businesses for the private equity sector.

Concluding remarks

Ladies and gentlemen, we know that 2025 will be marked by challenges and heightened uncertainty. But this is also a year flush with promise. All in all, we will navigate complexities with caution, confidence and optimism. Thanks to our country's unwavering support and Hong Kong's strong fundamentals and wide-ranging initiatives to scale our financial markets, I am confident we will continue to realise far-reaching opportunities for us all.

Two weeks from today, we welcome in the Year of the Snake, with its promise of renewal and transformation. I wish you a rewarding Forum and the best of business, investment and health in the New Year. Thank you.

