

Speech by FS at Global Financial Leaders' Investment Summit (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Global Financial Leaders' Investment Summit today (November 8):

Eddie (Chief Executive of the Hong Kong Monetary Authority, Mr Eddie Yue), Tim (Chairman of the Securities and Futures Commission, Mr Tim Lui), Julia (Chief Executive Officer of the Securities and Futures Commission, Ms Julia Leung), distinguished guests, ladies and gentlemen,

Good morning. Very glad to see you on the second day of the Investment Summit. And welcome to the session on Conversations with Global Investors.

We all know the complex and challenging investment environment facing us today. Julia has already alluded to this in her address just now.

And in such circumstances, investors tend to be risk-averse. A decline in risk appetite often goes hand in hand with less investment. Yet, whether this conventional wisdom would necessarily mean good yield is questionable: it may work from a short-term perspective, but not so much in the medium to long term.

Look no further than Hong Kong for a case attesting to this. The cycles that Hong Kong has gone through in the past have all confirmed one thing: our unique advantages have remained throughout, and each time, we have come out from a challenge with new strengths and opportunities.

So, at a time of increasing complexity and uncertainty, Hong Kong presents a window of enormous investment opportunities with great potential returns. Let me explain. Basically, three points:

New technologies

First, innovation and technology (I&T). Hong Kong is determined to develop I&T as a core engine of growth. We released the Hong Kong Innovation and Technology Development Blueprint last December, outlining our vision, clear development direction and roadmap in this important area. And we have put money to where our mouth is – our Government has been the biggest investor in this area, investing over \$200 billion to build, consolidate and enrich the I&T ecosystem in recent years.

Despite the challenges we face, not least the geopolitical situation, the I&T ecosystem in Hong Kong has grown more vibrant, with exciting achievements in nurturing start-ups, attracting enterprises and talent, and realising the transformation of R&D (research and development) outcomes.

Take artificial intelligence (AI) sector as an example. It is fast developing and driving revolutionary changes to financial and other businesses. But it is data intensive. Many Mainland AI firms are keen to come to Hong Kong because of our unfettered access to international data and information. But so would many international AI companies because they will be able to access Mainland data here in the future. With the support of the central authorities, Hong Kong is actively working towards cross-boundary data flow within the GBA (Greater Bay Area).

Such convergence of data is not only benefitting the AI industry; it will also be conducive to the development of other sectors like pharmaceuticals and biomedicine, for which data is an essential ingredient for R&D. In fact, many foreign pharmaceutical giants, and the future stars of the industry, are highly interested in setting up their R&D facilities in Hong Kong. For example, AstraZeneca will expand its R&D centre in our Science Park. And it is our vision to develop Hong Kong into a health and medical innovation hub.

Tech companies looking to Hong Kong also set sights on our world-class research capabilities and a deep pool of talent. Five universities here are among the global top 100; we are also home to numerous award-winning scholars and researchers. Of course, tech companies at different stages of development are also looking to our vibrant capital markets, from venture capital and private equity to our listing platform, to realise their growth ambitions.

You can reasonably expect that Hong Kong will give birth to more unicorns in the next five to 10 years. Investments in companies with such potential are certainly good deals that investors should not miss.

New modes of business

Technological advancements such as the development of blockchain have created new business models and disrupted traditional ones. We have seen efficiency being significantly improved, threshold for entering a market much lowered for businesses.

As the second largest economy in the world, China not only embraces I&T as well as digitalisation at an unprecedented speed; the country itself has been a major cradle of breakthrough tech solutions and start-ups.

With the unique "one country, two systems" advantages, Hong Kong can provide investors with a second-to-none platform in observing first-hand and up-close the rapid development of technological research and application in our country, gaining deeper insights into the new modes of business; and at the same time, staying connected with the international market and capital, and most importantly, helping investors source the right deals.

Another game-changing trend that I should highlight is ESG (environmental, social and governance). The transition to a lower carbon economy is irreversible, as this is a global agenda. Hong Kong is at the

forefront of green and sustainable finance. We issued more than one-third of Asia's green and sustainable bonds last year. We are also making great strides in areas such as climate-related disclosure standards, green classification framework, green certification and green capacity building.

But what should not be underestimated is Hong Kong's green tech prowess. We have a vibrant green tech landscape. With strong basic research and entrepreneurial spirit, we are already home to hundreds of green tech companies, some of which are already selling their solutions across different parts of the world. With the respective strengths of Hong Kong and sister cities in the GBA, we will rise as an international green tech and green finance centre, creating a complete financial and industry chain that will drive global green transition.

New capital

Geopolitics may be posing challenges, but with challenges come opportunities. While some countries have been advocating, reshoring, friend-shoring or on-shoring, many other countries, such as those in the Middle East and Europe, have actually been driven to diversify their investments to this part of the world.

Here in Hong Kong, we are keen to capture these opportunities. Over the past year, the Hong Kong team has been actively stepping up collaboration with ASEAN (Association of Southeast Asian Nations) and the Middle East. And we are seeing good outcomes. We will shortly be welcoming Asia's first ever ETF (exchange traded fund) investing in Saudi Arabia to be listed here on the Hong Kong Stock Exchange. This is certainly a milestone signifying more two-way fund flows, and an important step towards mutual market access between Hong Kong and the Middle East.

Ladies and gentlemen, in a complex investment environment, the key to good investing is always to find new areas that have the best growth potential. And you are the experts. And our Hong Kong Investment Corporation will be delighted to work with you. I am now looking forward to listening to your enlightening perspectives.

Thank you, and I wish you a most rewarding and productive second-day Summit.

