

Speech by FS at HKICPA CPA Congress 2023 (English only) (with photos)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Hong Kong Institute of Certified Public Accountants CPA Congress 2023 today (July 15):

Mr Shu Huihao (the Director General of the Accounting Regulatory Department of the Ministry of Finance, Mr Shu Huihao), Mr Wang Songmiao (the Secretary General of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region, Mr Wang Songmiao), President Asmâa Resmouki (the President of the International Federation of Accountants, Ms Asmâa Resmouki), President Loretta Fong (the President of the Hong Kong Institute of Certified Public Accountants, Ms Loretta Fong), distinguished guests, ladies and gentlemen,

Good morning. It is a great pleasure to be here at the CPA Congress 2023, which is also an occasion celebrating the 50th anniversary of the Hong Kong Institute of Certified Public Accountants (HKICPA), of which I am a proud member. It is an occasion for us to reflect on the past and to envision the future. To reflect on the past, so we can look at not just our achievements but also the lessons learnt. To look into the future, so that we can explore what and where the opportunities are, which directions and what actions we should take.

Let's take a look at where we stand. Our GDP per capita stands at over USD 49,000. We are an international financial centre (IFC): we are a leader in the equities market and the bond market. In particular, Hong Kong is a leading issuer of green and sustainable bonds in Asia.

At the same time, we have shortcomings in our economic structure – which is comparatively narrow. Financial services account for around 21 to 22 per cent of our GDP, but the sector only employs about 7 per cent of our labour force. Professional services and other producer services, including high value-added services, contribute to another 11 to 12 per cent of our GDP, and employ about 15 per cent of our population. Those who are in these two sectors may do well. For others, finding a job is not difficult, but they may not have the same income levels and upward mobility.

Hong Kong's achievements and success are premised on the "one country, two systems" arrangement which has made us unique. On the one hand, we have easy and convenient access to the Mainland market; on the other, we maintain the capitalist market system, continue to implement the common law system, allow the free flow of capital, talents, goods and data. With the staunch support from the Central Government, we have benefited tremendously from the rapid growth of the Mainland over the past four decades.

Going forward, where should we be heading for the future? We need to

look at some global mega trends. First, the centre of economic gravity is shifting from the West to East, with the rise of the Mainland and developing Asia together. Second, geopolitical tensions, particularly the Sino-US tensions, will continue to last in some time to come. Third, rapid technological advancements in the past decade and in the future have been, and will be, changing business models, ways of life, etc. Fourth, green transition of the society, including common actions to address climate change, the rise of new energy, etc. We must take these into account when we ponder our future development directions.

We also need to look at the mega trends that are taking place in our country. At the 20th National Congress of the Communist Party of China last October, as well as the Two Sessions in March this year, "high-quality development" is certainly the main theme. In a new era where our country is embarking on a new journey of high-quality development, our country focuses on technology and innovation, particularly high-level science-tech self-reliance; green transition; and supporting the development of the private sector economy. The global and national trends are converging and in many ways resonating with each other.

For those of us who are in Hong Kong, one of the key takeaways is that there will be tremendous needs for international capital, talents, expertise and participation in this great process, because our country continues to emphasise high-level two-way opening up in achieving the above.

Fellow accountants, let's also look at our unique strengths which I mentioned earlier, in particular the "one country, two systems" arrangement and the staunch support of the Central Government. With the mega trends that are emerging, and noting our own strengths and shortcomings, the way forward for us is clear – we need to capitalise on the opportunities offered by the fast and rapid growth of the Mainland, and at the same time diversify our economic structure.

In this connection, the country in the National 14th Five-Year Plan has given us the "eight centres" development directions. There are five international centres – in the areas of finance, trading, shipping, aviation, and innovation and technology; two regional ones, including the centre for legal and dispute resolution services in the Asia-Pacific region as well as regional intellectual property trading centre; and finally, East-meets-West centre for international cultural exchange. In envisioning our role, the country sees where our strengths lie.

For today's congress, let me narrow down my remarks on two areas. One is the international financial centre (IFC), and the other is innovation and technology. I believe these will be the dual major engines powering our economic growth in the coming decades.

On the IFC, apart from reinforcing the strengths in the traditional areas, including enhancing our equities market and fundraising platforms, we must embark on green and sustainable finance. In the pursuit of "3060" carbon emission targets, the funding demand of our country for the coming three

decades is estimated to be over USD 14 trillion.

And Hong Kong is uniquely placed to be the key financial link between the Mainland and the world. No city in the world can replace us. The continuous rise of our country will drive international investors to look to this part of the world for asset allocation. In this respect, Hong Kong will be the gateway and trusted platform.

Renminbi (RMB) internationalisation is another big trend. At the moment, in terms of cross-border trade settlement in SWIFT, RMB accounts for less than 3 per cent, while our country's share of the global trade stands at about 13 per cent. At the same time, RMB as a reserve currency also accounts for less than 3 per cent of the global total. With the significant room for RMB's use to grow, there would be huge opportunities for us as an offshore RMB hub, including investment products, risk management products, and infrastructure development.

For innovation and technology, or I&T, the Government has, since 2015, has put in a good amount of resources into developing the I&T sector – we have allocated more than \$200 billion thus far, and built quite a vibrant ecosystem. But this is not enough. Developing I&T has become the community's consensus for Hong Kong, and we want I&T to grow faster. You know, for I&T, we focus on a few areas for allocating our resources: artificial intelligence and data science, biotechnology and life science, financial technology, advanced manufacturing, new materials and new-energy technology.

To this end, we need tech companies, particularly large and leading tech companies. With these enterprises, we would be able to attract more talents, while at the same time create more quality employment opportunities for our people. That is why the Government of this term has set up the Office for Attracting Strategic Enterprises, and at the same time has set aside HK\$30 billion from our fiscal reserve to assist us in attracting enterprises – by co-investing in or with them. So far, we have been in touch with over 150 companies. I hope we will soon announce good news.

Of course, we also need to attract talents that could help us fill the talent gap and power our economic development.

Fellow members, when you consider your future career development or business directions, please consider the above development directions. Hong Kong has always been unique because of our international dimension, a window that helps our country to connect with the world. This window is where international capital, technology, talents and even data – which is crucial for the development of artificial intelligence – converge.

Here, perhaps I should mention two points in the Budget which I have envisioned in order to drive Hong Kong's high-quality development. One is to marry green technology and green finance, and position Hong Kong as the international green tech and green finance centre. These two would be mutually reinforcing and create a complete industry chain.

The other is Web3 development. Blockchain technology is something we

have to embrace. There have been risks associated with financial innovation in the Web3 space, but this rather highlights the need to put them in a proper regulatory framework. Under the principle of "same activity, same risk, and same regulation", we are working to facilitate its growth in a sustainable and responsible manner. This is a priority of the Government of this term as well.

Ladies and gentlemen, HKICPA has all along been working to the benefit of its Members by offering various training programmes and continuing education. I trust the Institute will continue to do its best to equip our CPAs to capture the many opportunities that our economic development will offer.

Thank you for having me this morning. Again, my heartiest congratulations to the Institute, the leadership and the management team, for a successful Congress and 50th anniversary celebrations, and to each and every one of you. I wish you good health and success in the future. Thank you very much.

