

Speech by FS at Hong Kong Association Luncheon in London (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Hong Kong Association Luncheon in London, the United Kingdom yesterday (September 21, London time):

Lord Johnson (Minister of State in the Department for Business and Trade of the United Kingdom, Lord Dominic Johnson), My Lords, Sir Sherard Cowper-Coles (Acting Chair of the Hong Kong Association), ladies and gentlemen, longstanding friends and partners of Hong Kong,

Good afternoon. I'm delighted to join you, members of the Hong Kong Association, once again, over lunch. Perhaps we can call this open, informative, mutually supportive tradition – one we have happily shared now for quite some years – the Hong Kong Lunch in London.

Some of you, I'm sure, attended last night's Hong Kong Dinner in London. My address to you today will largely echo that of the previous evening. But we have time today for questions, and dialogue, after I've spoken. And I invite you to follow up with your thoughts and questions.

I took a look at the speech I gave to you back in October 2019. Hong Kong, as you will remember, was deeply mired in social unrest then. "Testing times," I said to you.

Those "testing times" were just beginning. Our social unrest was followed by the pandemic and a daunting wave of new challenges to our economy and our community.

I know the UK has had its testing times, too, Brexit being the most challenging of them.

And yet, through it all, Hong Kong-UK business ties have stood the test of time, I'm pleased to say. Our bilateral trade is solid, and Hong Kong is grateful for the more than 650 UK companies and the thousands of UK expats who call Hong Kong home.

A recovering Hong Kong

Life in Hong Kong is recovering, and our economy is growing again. Hong Kong's economy grew 2.9 per cent in the first quarter this year, and 1.5 per cent in the second, slowed by the many complexities of geopolitics, together with high interest rates.

That said, our tourism numbers are rebounding – up to 80 per cent of

pre-pandemic levels in August. And our airport – which connected more than 220 destinations with 1 100 flights a day before the pandemic – will recover to 80 per cent capacity by year's end, and full recovery in 2024.

Spending is improving as well, with first-quarter growth of 13 per cent and 8.5 per cent in the second quarter.

Unemployment is a low 2.8 per cent. Some in the UK may consider that full employment. At the same time, we face a shortage of workers. That poses capacity constraints, which is why we are pressing ahead with labour importation plans.

The property market is back in the black, with residential property prices up 2.6 per cent through July, after falling 15 per cent last year.

Our stock market is a bit of a roller coaster, having dropped seven per cent by August compared to the end of last year. Rest assured, however, there has been no untoward volatility.

I'm counting on economic growth of four per cent to five per cent this year.

Let me add here that it has been a few months of adjustments for the Mainland economy. And Hong Kong's economy, as you know, is closely connected with the Mainland's for considerable trade and much else. But a great many of the world's economies, the UK's included, are still struggling with growth because of high inflation and the weak external environment.

And let's not forget that the mainland economy still grew by about 5.5 per cent, year-on-year, in the first half and that the Central authorities recently rolled out measures to support the economy.

As Premier Li Qiang said recently, China is confident of achieving five per cent growth in 2023.

And we have every reason to be optimistic about Hong Kong. I take heart in the return of international events to Hong Kong, and the overwhelming response they're getting. Earlier this month, we welcomed more than 6 000 senior government officials and high-profile businesspeople to Hong Kong for the eighth Belt and Road Summit.

Our annual FinTech Week, opening October 30, will attract thousands. In November, we'll hold the second edition of the Global Financial Leaders' Investment Summit, a great success last year. And, in December, there's the inaugural Priority Asia Summit to look forward to. It's organised by the Saudi Arabia-based Future Investment Initiative Institute.

"One country, two systems" alive and well

It should not come as a surprise that Hong Kong is once again welcoming a world of business. As those who work and live in Hong Kong can tell you,

Hong Kong remains distinct and attractive – for business and investment, for all the pleasures of life in a city at the crossroads of East and West. Thanks largely to our singular "one country, two systems" principle.

And, as President Xi Jinping has said on several occasions over the past year, the "one country, two systems" principle is here to stay in the long run.

It is in our country's compelling interest that Hong Kong maintains its status as an international trade, shipping and financial centre and a critical gateway for trade, investment, travel, talent and more between the Mainland and the rest of the world.

That means retaining the advantages that "two systems" gives us, from the common law system and the rule of law, to the free flow of capital, goods, information and talent, a simple and low tax regime and much more.

Rule of Law

Rule of law continues to be the cornerstone of our success. And our commitment to it has been as strong as ever, as last year's "Rule of Law Index," by the World Justice Project, makes clear. The global Index ranked Hong Kong 22nd out of 140 countries and jurisdictions. If you're wondering, the UK finished 15th and the United States 26th.

The judiciary in Hong Kong, let me add, continues to exercise its powers independently. In one hot-off-the-press ruling, on same-sex relationships, the Government was partly defeated. That will mean developing a policy for the legal recognition of the rights of same-sex partnerships.

Some of you, I know, are concerned about the national security law in Hong Kong. But national security laws are a fact of political life, the UK included.

National Security Law

Our national security law clearly defines offenses. It also stipulates that human rights shall be respected and protected. In short, I would ask you to consider the specifics rather than relying on general statements.

International investors and businesses, let me add, continue to place trust in Hong Kong. A major foreign chamber of commerce in Hong Kong recently reported, and I quote: "The international business community in Hong Kong has not seen any clear cases in which the National Security Law has been applied to commercial business."

The amount of deposits in our banking system, for example, stood at about 1.6 trillion pounds in June – about 10 per cent higher than it was prior to the implementation of the National Security Law. The number of companies in Hong Kong with parent companies located outside Hong Kong has remained at about 9 000 over the past five years.

Our bright future

Ladies and gentlemen, I continue to be highly optimistic about Hong Kong's future. For the next few minutes, allow me to focus on two sectors that will help drive its success: financial services and innovation and technology.

Financial services is our calling card. Hong Kong has all the requisite strengths of an international financial centre: market size, liquidity, infrastructure, talent, balanced regulation aligning with the best international standards and, above all, the common law. At the same time, there has been no lack of challenges – whether they stem from a high interest environment, weak global economy or geopolitics. Which is why I recently set up a Task Force to look into the liquidity of our stock market.

Over the past few years, we have worked unceasingly to enhance the competitiveness of our listing platform. That includes allowing pre-profit or pre-revenue biotech companies, and new economy companies with weighted voting right structures, to list on our stock exchange. The results speak for themselves. We are now the world's second-largest centre for biotech fund-raising.

And new-economy companies now represent about one-fourth of our stock market capitalisation and daily turnover, even though they constitute only a tenth of the number of companies listed.

Our Connect Schemes with the Mainland have continued to grow. They now include bonds, ETFs and derivatives, as well as shares. And Hong Kong is your ideal platform for listing, since you can access both international and Mainland capital.

Hong Kong is Asia's prime asset- and wealth-management centre. We handle some 3.7 trillion pounds of assets, with two-thirds of that coming from outside Hong Kong. And we're working hard to attract family offices and enhance our Wealth Management Connect schemes with the Greater Bay Area to attract more funds to Hong Kong.

Given the growing importance of the renminbi as a currency for trade settlement and reserve Hong Kong has even more to offer. After all, we handle 75 per cent of the world's renminbi trade settlements and hold about RMB1 trillion deposits. We will continue to expand our renminbi-denominated investment and risk-management products to suit user needs.

Innovation and Technology

More than finance, Hong Kong's future will be built on innovation and technology. And that means working closely with the Greater Bay Area. Hong Kong's strengths include excellent scientific research, trusted intellectual property rights protection and sophisticated financial services, while our neighbouring cities of the Greater Bay Area are strong in technological

innovation, commercialisation and advanced manufacturing. Together, we combine the strengths of the San Francisco Bay Area and the New York Bay Area, and will rise as an international innovation and technology hub.

Hong Kong is eager to attract companies in areas such as life and health science, AI and big data, fintech, advanced manufacturing and new materials and new energy.

And we can offer them special facilitation measures, from concessionary land grant, financing and tax concessions to co-investment. Over the past eight months, we have attracted some 1.8 billion pounds in initial investment from such companies.

Green Tech and Green Finance

Let me touch now on one more area: green tech and green finance.

We are Asia's green finance leader. The green and sustainable debts we issued last year totalled 65 billion pounds, and the bonds we issued accounted for more than one-third of the Asian market.

And, thanks to Science Park and Cyberport, our green tech base is also thriving.

Partnering with our high-tech sister cities in the Greater Bay Area, we believe we can build a complete financial and industrial chain to drive the world's green transition.

Investment in infrastructure

To support these and other ambitious plans, we are investing heavily in infrastructure. That includes the Northern Metropolis, an emerging innovation and technology hub near the boundary with Shenzhen, and a huge reclamation project at Kau Yi Chau, between Hong Kong Island and Lantau. In the coming two decades, we will need an annual works expenditure of about 30 billion pounds, if we are to build the flourishing future we see for Hong Kong.

We are, let me add, setting up an Infrastructure Bond Scheme to manage those huge cash-flow requirements.

And I welcome UK businesses and investors, consultants and professionals, to join us in realising these long-term opportunities.

You're welcome to stay, too. Yes, we have set up a variety of talent drives, including inviting graduates from the world's top 100 universities to look to Hong Kong for their future – whether or not they have work experience. The response to these schemes has been overwhelming, with more than 90 000 applications approved by the end of August.

Name me another city in China that has such a wealth of sectors, and the payoffs they promise, on its "to do and become" list. Only Hong Kong.

In short, there's no city in China, no city in Asia, no city anywhere in the world, quite like Hong Kong. And how could there be? Asia's global city has long been shaped, and reshaped, by the unabated flow of investment and business opportunities, cultures and peoples East and West. And that's not about to change.

Yes, Hong Kong is back in business, ladies and gentlemen. And we're just getting started.

My thanks, once again, to the Hong Kong Association for giving me this welcome opportunity to speak to you again.

I'm happy now to take your questions.

