

# Speech by FS at seminar on Routes to Growth: Creating Opportunities Between Hong Kong and Ireland as Financial Services & Aviation Hubs (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at a seminar on the Routes to Growth: Creating Opportunities Between Hong Kong and Ireland as Financial Services & Aviation Hubs in Dublin, Ireland today (May 31, Dublin time):

Minister Pat Breen (Minister of State for Trade, Employment, Business, EU Digital Single Market and Data Protection of Ireland), Consul General Ryan (Peter Ryan, Consul General of Ireland to Hong Kong & Macau), Rupert (Rupert Hogg, Chief Executive Officer of Cathay Pacific), distinguished guests, ladies and gentlemen,

Good afternoon.

It's a pleasure to be here in Dublin again. It must have been some ten years ago when I last visited this beautiful city for a conference. Now with direct flights between Hong Kong and Dublin to be launched in just two days, I keenly see myself as a potential frequent traveler to Ireland in future!

The four-times-a-week service will surely speed the growing ties between us. Tourism is certain to be a big winner.

But allow me, this afternoon, to focus on two areas – financial technology and aviation, in keeping with the theme of today's seminar.

Financial technology, or Fintech, is very much a given for Hong Kong. After all, we are one of the world's leading financial centres, and financial services have long been our core strength. Of course, you need not take this Financial Secretary's word on that.

In March, the Global Financial Centres Index ranked Hong Kong third, behind only London and New York among the world's major financial centres. Hong Kong topped the world in the Index's "Human Capital" category.

International financial and investment companies trust Hong Kong not only because of our professional services expertise, but because of our common law system and the fine tradition of rule of law, our free and open market, our low and competitive tax regime, as well as our robust and transparent institutional framework.

With 75 out of the world's top 100 banks operating in Hong Kong, we are

Asia's second largest banking centre, second only to Japan. We are also Asia's leading asset-management centre as well. Besides, we are the world's largest offshore Renminbi business hub, handling 70 per cent of global offshore Renminbi payments.

Hong Kong's stock market capitalisation rings in at more than US\$4 trillion. And in terms of funds raised through initial public offerings, the Hong Kong Stock Exchange has topped the world in five of the past nine years. Last year, we raised some US\$16.5 billion.

In order to further boost the competitiveness of Hong Kong's listing platform and reinforce our status as a premier capital-formation centre, we have recently launched a new listing regime that permits the listing of pre-revenue biotech issuers as well as companies from emerging and innovative sectors with weighted voting right structures. We have also established a new concessionary secondary listing route for Greater China and international companies that wish to secondary list in Hong Kong.

Meanwhile, we are also rolling out measures to develop Hong Kong into a hub for green finance and bond issuance.

While we are fully committed to consolidating our advantages in financial services, Hong Kong is actively embracing innovation and technology as the new impetus for economic growth.

Following the establishment of the Innovation and Technology Bureau some two years ago, more than US\$10 billion has been allocated to upgrade technological infrastructure, build a vibrant ecosystem for startups, and pool and nurture more technology talent in Hong Kong. We are focusing on four areas: biotechnology, artificial intelligence, smart city, and of course, Fintech.

It helps that Hong Kong boasts world-class information and communication technology infrastructure, with the largest data centre cluster in the Asia-Pacific region. Our internet connection speed is among the world's fastest, and our mobile penetration rate, at 247 per cent, is among the highest anywhere – certainly on this planet.

According to Compass, a San Francisco-based research firm, Hong Kong is among the world's five fastest-growing start-up centres.

Fintech start-ups, and the Fintech community, are definitely blossoming in Hong Kong in recent years. Cyberport, Hong Kong's ICT flagship, now houses more than 250 Fintech companies that are engaged in a wide range of applied research and development, from cybersecurity, payment and remittance to robo-advisory in wealth management and insurance.

World-renowned innovation laboratories and accelerator programmes, such as "Accenture Fintech Innovation Lab" and "Supercharger Fintech Accelerator", have established their presence in Hong Kong. Together with the countless incubation and mentorships programmes, hackathons and Fintech competitions

organised by universities and technology companies, the Fintech ecology has been increasingly vibrant in Hong Kong.

Our financial regulators are also facilitating Fintech applications with their dedicated liaison platforms and supervisory sandboxes, which allow financial institutions and Fintech companies to conduct pilot trials on Fintech solutions in a confined environment.

With such an enabling environment, investment in Hong Kong-based Fintech companies increased to US\$546 million in 2017. In the period from 2014 to 2017, Fintech companies based in Hong Kong have raised a total of US\$940 million, which is almost three times of that raised by Singapore.

It's also attracting a world of attention. Ireland very much included.

Last year, Irish payment company Stripe launched in Hong Kong. And Fexco, one of your leading Fintech players, also operates out of Hong Kong. And Global Shares, Ireland's fintech company of the year in 2017, set up its first Asian base in January – in Hong Kong, of course.

Join them, join us, in Hong Kong, where the future of Fintech is being built. I am glad to note that Enterprise Ireland has posted a dedicated person in Hong Kong to look after its financial services for the APEC region. And InvestHK's dedicated Fintech team would be more than happy to assist Irish Fintech firms to set foot in Hong Kong, as well as the Mainland of China and Asian region.

For decades, Hong Kong has been serving as the unique gateway connecting international investors and the vast market in the Mainland of China. And our ever-deepening economic integration with our motherland creates opportunities for us that are available to no one else. Those opportunities include the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development.

The latter, a city cluster counting nine Guangdong cities, along with Hong Kong and Macau, counts a combined population of 68 million and a collective GDP worth US\$1.5 trillion. That GDP, ladies and gentlemen, is comparable to that of Australia or Korea.

The Bay Area has all it takes to become the international innovation and technology hub of China. The deepening collaboration among the cities in the Bay Area will enable us leverage the synergies of the world-class financial and professional services of Hong Kong, the vibrant tech business sector in Shenzhen, as well as the advanced manufacturing in other cities in Guangdong Province.

Again, our connection with China will make a palpable difference, given that the Mainland is a global leader in Fintech. And that some of the major Fintech companies in the Mainland are based in the Bay Area, where our financial services acumen will surely play an instrumental role.

Ladies and Gentlemen, Hong Kong is taking off, too, in aircraft leasing, along with the soaring civil aviation and aircraft market in Asia and in particular, the Mainland of China.

Over the next two decades, global aviation passengers are expected to grow at about five per cent per annum while passengers in the Asia Pacific region at about six per cent per annum. The number of new aircraft delivered worldwide are estimated at over 41 000 with a value of about US\$6.1 trillion, of which 16 000, valued at US\$2.5 trillion, will be in the Asia Pacific Region.

And Mainland airlines will need about 6 000 new aircraft between 2012 and 2032, accounting for over 40 per cent of the forecasted delivery to the Asia Pacific region.

Ireland is the fast-beating heart of the global aircraft leasing business. I invite Ireland, and Irish expertise in aircraft leasing, to look to Hong Kong as your trusted partner in Asia, in capitalising the massive and long-term opportunities ahead.

Last July, we amended our law to create a dedicated tax regime for aircraft leasing in Hong Kong.

Put simply, the profits tax rate has been cut in half, from 16.5 per cent to 8.25 per cent.

Since the introduction of the new tax regime, we are excited to see the aircraft leasing business has started to flourish in Hong Kong. Last December, ICBC Financial Leasing Company concluded the first Hong Kong-based cross-border aircraft leasing transaction to Korea under the new regime. Most recently, a Hong Kong aircraft lessor has committed to buy eight aircraft and will use its Hong Kong aircraft leasing platform to lease the aircraft to airlines in Indonesia, Qatar and Mainland China. A number of deals involving leasing of aircraft from Hong Kong to airlines in Japan and Russia are in the pipeline.

In terms of aircraft leasing, there is so much that Hong Kong and Ireland can work and accomplish together. And together, we can soar.

You will hear more about Hong Kong's advantages from Mr Stanley Hui, the President of the Hong Kong Aircraft Leasing and Aviation Finance Association, in the upcoming panel session.

My sincere thanks to Enterprise Ireland and InvestHK for organising today's invaluable seminar, and to Cathay Pacific for sponsoring it.

Ladies and Gentlemen, I know you will enjoy the panel discussions on Fintech and aircraft leasing.

And I look forward to welcoming you to Hong Kong and to returning soon to Dublin – on a castles-and-pubs holiday.

Thank you.