

LCQ4: Committing drug-related offences by young people

Following is a question by the Hon Lillian Kwok and a reply by the Secretary for Security, Mr Tang Ping-keung, in the Legislative Council today (January 31):

Question:

It has been reported that youth drug abuse has become increasingly hidden with the ages of youth drug abusers showing a downward trend, and some lawbreakers have made use of the Internet as a platform for selling drugs. In this connection, will the Government inform this Council:

(1) of the number of young people aged under 21 who were arrested on suspicion of having committed drug offences in the past year, and the types of offences involved; whether the authorities will formulate new measures targeting the situation of a downward trend in the ages of persons committing drug offences; if so, of the details; if not, the reasons for that;

(2) of the number of cases of online drug trafficking detected by the Police in the past five years and the penalties imposed on the convicted persons, and set out the relevant information in a table; and

(3) given that as at March 10 last year, 223 secondary schools in Hong Kong participated in the Healthy School Programme with a Drug Testing Component implemented with funding from the Beat Drugs Fund Association, whether the authorities have gained an understanding of the reasons why the remaining schools did not participate in the Programme, and whether they will launch targeted anti-drug publicity and measures to identify high-risk persons?

Reply:

President,

The Government is very concerned about the problem of youth drug abuse. In the past decade, there has been an overall decrease in the number of reported young drug abusers aged under 21, from 829 in 2014 to 659 in 2023. The number of young people arrested for drug offences has also decreased from 632 to 323 over the same period. While the situation is stable, the Government is aware of the potential hidden problem of youth drug abuse in recent years, including the global trend towards online drug dealing. I would like to emphasise here that the world of Internet is not beyond the law. To tackle the problem of online drug dealing, the law enforcement agencies (LEAs) have stepped up patrols and taken relevant enforcement actions on the Internet. Relevant speeches, actions, videos or social media content may serve as evidence of an offence. For example, the Police cracked down a syndicate selling cannabis and related products on the Internet last year,

with 16 people arrested and took over the instant messaging channels on Telegram.

My reply to the various parts of the question is as follows:

(1) In 2023, 323 young people aged under 21 were arrested for drug offences, accounting for about nine per cent of the total number of arrestees for drug offences. Among the young people aged under 21 being arrested, about half of them were involved in offences such as manufacturing and trafficking of drugs. The rest were involved in offences such as possession and consumption of drugs. Detailed figures are set out in Annex 1.

In the past decade, the number of young people aged under 21 arrested for drug offences decreased from 632 in 2014 to 323 in 2023. The proportion of them among all arrestees for drug offences decreased from 13 per cent to nine per cent over the same period. Detailed figures are set out in Annex 2. Although the number and proportion of young people arrested for drug offences rebounded in 2021, they dropped in 2022 and 2023. This is attributable to the Government's timely adoption of multipronged anti-drug strategies and measures. Among them, law enforcement and preventive education and publicity are particularly important.

On law enforcement, to deal with the exploitation of young people in drug trafficking, the LEAs may apply to the court for increasing the sentence of offenders who have exploited young people in drug trafficking under section 56A of the Dangerous Drugs Ordinance (Cap. 134), so as to enhance the deterrent effect. Since 2009, a total of 31 cases have been successfully brought to the court for sentence enhancement. The additional increase in sentence ranged from 1.5 months to 40 months of imprisonment.

On preventive education and publicity, the Narcotics Division (ND) of the Security Bureau and the LEAs have made continuous efforts to launch publicity programmes targeting at the young people. They have actively used various means popular with the young people, such as social media, animated videos and key opinion leaders. In addition, young people are warned from time to time that young age is not a mitigating factor in court sentence, and drug trafficking by students can also result in heavy penalty. Various LEAs have also covered anti-drug education programmes in their youth activities. Young people participating in these programmes can bring anti-drug messages to their families, schoolmates and friends for dissemination in the community.

(2) In the past five years, the number of online drug trafficking cases detected by the Police increased from one in 2019 to 17 in 2023. The number of arrestees also increased from 22 to 166. The number of online drug trafficking cases detected by the Police, the number of arrestees and the maximum penalties imposed on the convicted persons are set out in table at Annex 3.

(3) The Beat Drugs Fund has provided funding support for the Healthy School Programme with a Drug Testing Component (HSP(DT)) implemented by the ND. The

HSP(DT) aims to promote a drug-free school culture by enhancing students' resolve to stay away from drugs through a wide range of personal growth activities and voluntary school drug testing. While 43 schools participated in the programme when it was launched in 2011, the number of schools participating in the programme has currently increased to 237, accounting for nearly half of the 519 secondary schools in Hong Kong.

For other schools yet to participate in the programme, some of them have developed a healthy school policy with an anti-drug element, or have even arranged their own drug tests.

While the number of participating schools has increased significantly, we will not stop there. When sending invitations for the new round of applications for the 2024/25 school year in February this year, the ND will step up its efforts in proactively explaining the programme to school sponsoring bodies, principals' associations and parents' associations to clear up doubts. It will also organise sharing sessions to invite participating schools and teachers for experience sharing, with a view to boosting the confidence of non-participating schools in joining the programme.

To strengthen the capacity of teaching staff and school social workers in identifying and handling at-risk students, the ND, in collaboration with the Education Bureau (EDB) and non-governmental organisations, arranges for school personnel to receive anti-drug training on identifying at-risk students. The EDB has also drawn up guidelines on handling drug-related incidents for schools.

Apart from the aforementioned HSP(DT) and anti-drug training on identifying at-risk students, the ND has also implemented other anti-drug measures, including:

(i) Beat Drugs With Sports Programme: It is a programme without drug testing components aiming to promote healthy lifestyle and a drug-free culture in secondary schools through the implementation of student-led sports-related activities with anti-drug themes.

(ii) Strengthening teaching resources: The ND developed in collaboration with the EDB the teaching resources on anti-drug education in the Values Education Curriculum Framework (Pilot Version). The relevant resources have been uploaded to the EDB's website and are available for use by teachers; and

(iii) Interactive anti-drug drama: It is a free drama tour for schools that educates upper primary students in an interactive manner on drug harms, the skills of refusing drugs and the dire consequences of committing drug offences, etc.

President, the community as a whole should have "zero tolerance" towards drug-related crimes. The ND and the LEAs will continue to spare no effort in combating drugs and curbing drug harms in future.

Thank you, President.

LCQ6: Promoting Halal-certified diet to develop tourism

Following is a question by the Hon Edward Leung and a reply by the Secretary for Culture, Sports and Tourism, Mr Kevin Yeung, in the Legislative Council today (January 31):

Question:

There are views pointing out that in terms of receiving Muslim travellers mainly from Middle East countries and promoting the Halal food culture, Hong Kong compares unfavourably with the Mainland and even neighbouring countries or regions. According to the information from the Hong Kong Tourism Board, only 80-odd restaurants are Halal-certified in Hong Kong. It is learnt that many Middle East travellers do not choose to visit Hong Kong because of Hong Kong's failure to cater for their Halal dietary needs. In this connection, will the Government inform this Council:

(1) whether it has studied the proportion of the number of travellers from Middle East countries visiting Hong Kong in the total number of travellers visiting Hong Kong in each of the past 10 years, as well as the trend of change in such proportion; if so, of the outcomes;

(2) whether it has implemented official Halal diet certification measures to assist Muslim travellers in meeting their dietary needs; if so, of the details; if not, the reasons for that; as it is learnt that at present, most hotels do not provide their guests with Halal-certified food choices and, as a result, Muslim travellers face dietary difficulties even at their places of accommodation, whether the authorities will consider how to proactively support the hotel industry in satisfying the dietary needs of the Muslim traveller market; and

(3) whether the Government will proactively play the role of a promoter, e.g. requiring the future Day and Night Vibes activities and food expos to be held in venues such as the Hong Kong Convention and Exhibition Centre, the AsiaWorld-Expo and Victoria Park to have a specified proportion of booths for promoting Halal-certified food?

Reply:

President,

In terms of visitor source markets, the Middle East markets including

Saudi Arabia, United Arab Emirates, etc, are source markets with potentials. The Hong Kong Tourism Board (HKTb) has been actively promoting in the Muslim source markets and invited media representatives from Muslim regions to come to Hong Kong to visit local "Muslim-friendly" establishments. The Muslim familiarisation trip organised in September last year showed the incoming trade that Hong Kong welcomes and is suitable for Muslim visitors. In addition, the HKTb also consolidated a series of information about Hong Kong on its DiscoverHongKong.com website for Muslim visitors, ranging from cuisine, hotel accommodation, local culture to activities suitable for Muslim visitors, etc, to attract them to visit Hong Kong and enhance their travel experience in Hong Kong.

In respect of the question raised by the Hon Edward Leung, having consulted the Commerce and Economic Development Bureau, Environment and Ecology Bureau and Home and Youth Affairs Bureau, the reply is as follows:

(1) According to the data from the Immigration Department, visitor arrivals from Middle East countries to Hong Kong ranged from around 140 000 and 190 000 annually from 2014 to 2019, accounting for around 0.3 per cent and 1.3 per cent of total visitor arrivals and non-Mainland visitor arrivals respectively. From 2020 to 2022, due to the severe blow dealt by the pandemic, visitor arrivals from Middle East countries plummeted to around 300 in 2021 and around 2 800 in 2022. In 2023, with the resumption of cross-border travel since February, visitor arrivals from Middle East countries picked up to 58 500, accounting for around 0.2 per cent and 0.8 per cent of the total visitor arrivals and non-Mainland visitor arrivals respectively. With the gradual resumption of flights between Middle East countries and Hong Kong, the number of visitors from Middle East countries are expected to increase this year.

The HKTb will continue its promotional work on various fronts, such as organising briefings to introduce new tourism products to local travel trade, promoting special tourism offers on Hong Kong and launching travel packages in collaboration with tourism brands, with a view to attracting visitors from the Middle East to visit Hong Kong.

(2) The Food and Environmental Hygiene Department (FEHD) is not responsible for handling Halal food certification. According to the Environment and Ecology Bureau, the FEHD is responsible for food business licenses or related permits. Their main considerations when processing applications are to ensure the environmental hygiene, building and fire safety of the premises, and that the food prepared and sold must comply with legal requirements related to food safety. Religious factor is not the FEHD's consideration in the approval of licenses or permits.

Nonetheless, the Incorporated Trustees of the Islamic Community Fund of Hong Kong provides Halal certification for many restaurants in Hong Kong. The HKTb has also consolidated a list of restaurants suitable for Muslim visitors on DiscoverHongKong.com website according to relevant information.

As regards hotels, hotels in Hong Kong will, having regard to the needs

of their business development and visitors, provide visitors with appropriate facilities and services, including Halal-certified food. As far as we understand, some hotels are equipped with prayer rooms or provide indication of the Qibla direction in their guest rooms, and provide prayer mats and Quran, etc, according to the needs of their visitors. In addition, some hotels would provide their staff with training in Arabic culture or arrange staff speaking Arabian to serve visitors from Middle East countries. The HKTB has gathered and posted the relevant information at its website.

The HKTB has also invited the Incorporated Trustees of the Islamic Community Fund of Hong Kong to conduct briefings for the travel and related trades to introduce the requirements of Muslim visitors for food, accommodation and facilities of attractions, thereby assisting relevant trades in offering more Halal-friendly experience. The HKTB will continue to communicate with the travel and related trades to promote relevant work, with a view to providing more restaurants, hotel accommodations, travel activity options, etc suitable for Muslim visitors so as to attract them to visit Hong Kong and enhance their travel experience.

(3) According to the Commerce and Economic Development Bureau, the Hong Kong Trade Development Council's annual Food Expo PRO, held concurrently with the Food Expo, brings together a wide range of high-quality products. The Halal food and beverage zone displays related food and beverages, Halal production technologies, machinery and related services, logistics management and transport services, utensils and food packaging services, as well as testing and certification of Halal standards. Industry experts are also invited to explain Halal food certification and analyse market opportunities in seminars at the Expo, to comprehensively promote Halal market opportunities. In addition, other food exhibitions held in Hong Kong have their own characteristics, attracting not only the public, but also tourists. We will encourage food fairs to sell a variety of food products to cater for customers with different needs.

For the series of "Day x Night Vibes @ 18 Districts" activities being organised by the Government in the first half of this year, Home and Youth Affairs Bureau remarked that the activities mainly aim to provide the public with a wide range of cultural and leisure events, and to showcase the diversity of district characteristics or traditional cultural connotations in various districts. Given their diversified characteristics, there is no specific standardised arrangement in place for the food in the activities.

The Government will continue to maintain close communication with the travel trade to understand their needs in serving the Muslim visitors market. The HKTB will also continue its multi-faceted publicity and work with the industry to develop more unique tourism products and experience to promote Hong Kong's tourism appeal to the Middle East markets and attract visitors.

Thank you, President.

LCQ9: Providing civil servants with training outside Hong Kong

Following is a question by Professor the Hon Lau Chi-pang and a written reply by the Secretary for the Civil Service, Mrs Ingrid Yeung, in the Legislative Council today (January 31):

Question:

Regarding providing civil servants with training outside Hong Kong, will the Government inform this Council:

(1) as the Government indicated in reply to a question raised by a Member of this Council on June 14 last year that it was resuming various training courses outside Hong Kong in an orderly manner, of the latest progress of the relevant work;

(2) of the respective estimated expenditures to be incurred in the provision of overseas and Mainland training for civil servants by the Government in each of the next five years, and whether it has established a ratio between the two in advance;

(3) of the criteria adopted by the Government for selecting overseas and Mainland training institutes to provide training for civil servants; and

(4) since April 2023, of the respective numbers of overseas and Mainland training courses that the Government (a) has organised, (b) will organise and (c) has yet to confirm, as well as the following information on each course: (i) the number and name of training institute, (ii) the type of course (i.e. degree and certificate course), (iii) the training target (i.e. Administrative Officers, Executive Officers and other grades) and (iv) the number of place?

Reply:

President,

The Civil Service Bureau (CSB) spares no effort in organising a variety of training activities to enhance civil servants' understanding of the Hong Kong Special Administrative Region (HKSAR)'s constitutional order, national security, and the country's development, with the aim of strengthening their sense of national identity and patriotism, fostering their forming of holistic views and broadening their international perspective, thereby enabling them to support Hong Kong in leveraging its strengths to connect our country with the world.

The Government's consolidated reply to the various parts of the question is as follows:

With the resumption of normal travel across borders, the CSB is resuming various Mainland and overseas training courses in an orderly manner.

For training on the Mainland, the Civil Service College (CSC) under the CSB has, since June 2023, resumed arranging for middle and senior-ranking officers nominated by bureaux/departments to attend national studies programmes at nine Mainland institutions (including the National Academy of Governance (NAG), Tsinghua University, Peking University, China Foreign Affairs University, Zhejiang University, Nanjing University, Wuhan University, Jinan University and Sun Yat-sen University) that last for five to 12 days. By the end of 2023, 21 classes had been organised with about 800 civil servants participating in the programmes.

Besides, in 2023, the CSB also offered Mainland training for Permanent Secretaries and Heads of Departments, Administrative Officers (AOs) and Executive Officers (EOs) of the HKSAR Government, including (i) arranging for over 20 Permanent Secretaries and Heads of Departments of the HKSAR Government to attend a study programme and duty visit in Beijing and Zhejiang Province in June 2023. This study programme was organised again following the one in 2018 and has the largest number of participants ever; (ii) resuming the Designated Course for AOs at the NAG in August so as to strengthen their grasp of important national policies and development trends, and to foster their connection with the Mainland officials. Around 30 AOs participated in the course; (iii) launching the Mainland Training Programme for EOIIIs in partnership with the Sun Yat-sen University and the Mainland Study Tour for EOs in partnership with the Wuhan University. All EOIIIs who joined the civil service in or after June 2020 are required to attend the three-day Mainland Training Programme, which serves to further enhance the foundation training for the E0 grade. Since its introduction in September 2023, seven classes of the Mainland Training Programme for EOIIIs have been held and were attended by about 240 EOIIIs in total. As for the Mainland Study Tour for EOs, it is a five-day programme open to all ranks of E0 Grade members. About 40 EOs at different ranks joined the first class of the programme in October 2023.

In 2024, the CSB will continue to organise the above national studies training programmes. It is expected that about 1 500 civil servants will attend these programmes.

In respect of public administration training for senior civil servants, in 2023, the CSC has also arranged for the second batch of 20 senior civil servants with potential for advancement to join the 2-year Master's Degree in Public Policy Programme run by Peking University. The programme provides opportunities for civil servants to deepen their understanding of the country's system, the relationship between the Central Authorities and the HKSAR, and the country's development, and enrich their perspectives in public administration. The first year of study will take place on a full-time basis in Peking University, where participants will visit different areas on the Mainland to conduct research and studies and to gain first-hand experience of

the country's development. The second year of study will take place in Hong Kong for the completion of a thesis while they resume work. The CSC will continue to arrange for 15 to 20 senior civil servants with potential for advancement each year to participate in this programme, and will also continue to sponsor senior civil servants to attend the Executive Master of Public Administration Programme for the Project of Hong Kong Public Administrative Talents at Tsinghua University.

For overseas training, the CSB also arranges for middle and senior-ranking civil servants with potential to attend training overseas. After the pandemic, we have been resuming relevant training in an orderly manner, including arranging AOs on completion of probation to study abroad again. The first round of overseas training programmes was launched in mid-January this year, where about 10 AOs were arranged to attend training at Sciences Po for around eight weeks. The CSB will continue to arrange for more civil servants to pursue overseas training.

In 2024-25, the estimated expenditures to be incurred by the CSB on Mainland and overseas training (which mainly cover tuition fees, travel and accommodation expenses for participants, and study grants, etc) are about \$40 million and \$16 million respectively. The annual training budget is determined according to the training needs of departments and the government's fiscal position, among other factors.

Apart from the CSB, individual departments/grades also arrange for their staff to attend training on the Mainland and overseas to cater for the departments/grades' development needs, with the aim of enhancing their staff's understanding of the country's development, leadership, and their own professional fields. The related training expenses are borne by the respective departments. The CSB and departmental/grade management will continually assess the training needs of their staff and select suitable training institutes and courses, taking into account factors such as teaching quality, trainers' qualifications, relevant experience, programme content and delivery mode, and fees.

[LCQ5: Developing artificial intelligence](#)

Following is a question by the Hon Duncan Chiu and a reply by the Secretary for Innovation, Technology and Industry, Professor Sun Dong, in the Legislative Council today (January 31):

Question:

It is learnt that in recent years, various countries in the world have

been vigorously promoting the development of artificial intelligence (AI), including the promulgation of the Development Plan on the New Generation of Artificial Intelligence by the country in 2017, as well as the promulgation of the Singapore National AI Strategy 2.0 and the updated National Strategy for the Development of Artificial Intelligence by Singapore and Russia respectively at the end of last year. In this connection, will the Government inform this Council:

(1) whether it has conducted an in-depth analysis and study on the AI development strategies of the Mainland and other countries as well as their impacts on Hong Kong; if so, of the results and corresponding measures, including whether it will formulate an overall plan and strategy for AI development in Hong Kong, and conduct regular reviews and updates; if so, of the specific objectives and implementation timetable of the relevant plan and strategy, as well as supporting measures and deployments in aspects such as the overall manpower demand, technological development, digital infrastructures, policies, laws and regulations, as well as standards and systems;

(2) whether it has comprehensively assessed if the current supply of human resources, digital infrastructures, laws and regulations, etc of AI in Hong Kong can meet the needs of its future AI development; if it has, of the outcomes, and how it addresses the inadequacies; and

(3) whether it will assist and support various trades and industries (in particular micro, small and medium-enterprises) in Hong Kong in a holistic manner, including how they will measure and enhance the level of awareness and mastery of AI technologies of their employees, so as to embrace the opportunities and challenges in the new era of AI development?

Reply:

President,

The Hong Kong Innovation and Technology Development Blueprint (I&T Blueprint) promulgated in end-2022 proposes priority development of artificial intelligence (AI) and data science industries. Policies, infrastructure, technology and talents, etc are interlinked and indispensable elements of fostering the local AI development. In response to the Hon Duncan Chiu's question, my consolidated reply in consultation with relevant policy bureaux is as follows:

The Government has been adopting all-round strategy to develop the AI ecosystem on various fronts, with review and enhancement from time to time. In terms of policies, guidelines and regulations, the Government has formulated the Ethical AI Framework, which was updated last year to provide clearer guidelines to government departments on their development of applications with the use of AI-related technologies (including generative AI). The above guidelines are published online for reference by the industry.

Furthermore, the Office of the Privacy Commissioner for Personal Data (PCPD) published in 2021 the Guidance on the Ethical Development and Use of

Artificial Intelligence to help organisations devise appropriate AI strategy and management models, conduct risk assessments and make oversight arrangements etc, so as to promote industries' development and use of AI systems under the premises of privacy protection and observing internationally recognised values and principles.

The Policy Statement on Facilitating Data Flow and Safeguarding Data Security in Hong Kong issued last year also sets out specific action items to facilitate data flow and strengthen data security protection in order to better co-ordinate the development and security of AI.

As for the infrastructures, Cyberport is making preparation for the establishment of the AI Supercomputing Centre , with a view to supporting the strong local demand for computing power, enhance Hong Kong's research and development (R&D) capabilities in various fields, and promote industrial development. The Government also puts in place facilitation measures to promote data centre development.

Paying heed to the guiding directions of the I&T Blueprint and leveraging Hong Kong's solid foundation of AI researches, we are committed to talent cultivation, resource matching, strengthening research capabilities, acceleration of result transformation, advancing industrial development, etc, and have thus nurtured a number of renowned AI scholars and enterprises. In view of the development in AI technology, the AIR@InnoHK research cluster which focuses on AI and robotic technologies under the InnoHK initiative has established last year a new generative AI R&D centre.

A growing number of industries are applying AI technologies. Relevant policy bureaux and departments have been providing talent education, retraining and skill upgrading to their responsible industries to strengthen the local population's understanding and grasp of AI technologies and align with the latest manpower requirements. The Government is also dedicated to enlarging the talent pool for innovation and technology (I&T). For examples, the Research Talent Hub, the Technology Talent Admission Scheme and the Talent List are all aimed at nurturing and attracting tech talents, including AI specialists from home and elsewhere.

In the meantime, the Government assists different sectors via various measures and subsidy schemes to upgrade and transform through adoption of technology to improve productivity and competitiveness. Among them, the Technology Voucher Programme supports local enterprises/organisations and welcomes applications from different sector in using technological services and solutions (including AI technologies).

We note the evolving trend of AI technology, and the relevant policies and solutions formulated by other economies. We are closely monitoring the relevant developments and will take timely follow-up actions to ensure that our planning and strategic responses suit Hong Kong's circumstances.

For example, we have commissioned the InnoHK research centre specialised in generative AI to study and suggest appropriate rules and guidelines on the accuracy, responsibility and information security of the generative AI

technology and its application.

In view of the copyright issues arising from the rapid development of AI technology, the Government will conduct a consultation this year to explore further enhancement of the relevant protections provided by the Copyright Ordinance.

The Government is carrying out a new round of Manpower Projection to gauge the manpower requirements for major industries (including I&T industry) in the coming five years. Key findings are expected to be available in the third quarter of 2024 and a full report will be released in early 2025 at the earliest. This would help facilitate our human resources planning related to AI.

In sum, to embrace the various opportunities and challenges arising from AI technology, we will keep a positive and open mind to explore and formulate the required responses to promote the AI development in Hong Kong, alongside timely enhancement to the overall strategies, so as to integrate and strike a balance between AI development and appropriate regulation.

[LCQ14: Integrated development of financial industries of Shenzhen and Hong Kong](#)

Following is a question by the Hon Robert Lee and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 31):

Question:

On December 21 last year, the Central Authorities promulgated the Overall Development Plan for the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone (Qianhai Overall Development Plan), which includes deepening the opening up and innovation of the financial industry and deepening the integrated development of financial services between Shenzhen and Hong Kong. In this connection, will the Government inform this Council:

(1) given that Qianhai is one of the major co-operation platforms in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), whether the authorities will discuss with the Mainland regulatory authorities on conducting a pilot trial in Qianhai to progressively implement a mutual recognition mechanism for professional qualifications in securities, futures and asset management, etc in GBA, so as to dovetail with the efficient flow of talents between the two places;

(2) given that the Qianhai Overall Development Plan supports the deepening of the pilot trial for the Qianhai Qualified Foreign Limited Partnerships (QFLP), whether the authorities can clarify the applicable tax rates (including income tax and dividend tax) for QFLP in Qianhai; whether service support centres will be established to assist Hong Kong's limited partnership funds in participating in the pilot trial; and

(3) given that the Qianhai Overall Development Plan proposes to explore mutual access between the financial markets of Hong Kong and Macao at a high level, whether the authorities and the Mainland regulatory authorities will study, on the existing basis, the introduction of more connectivity products, such as the Commodities Connect, Futures Connect and IPO Connect; if so, of the specific measures and implementation timetable?

Reply:

President,

The Overall Development Plan for the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone (Qianhai Overall Development Plan) states that the development of the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone is an important initiative for supporting Hong Kong's social and economic development; fostering a higher level of co-operation among Guangdong, Hong Kong and Macao; and establishing a new development paradigm in pursuing opening up. On finance, the Qianhai Overall Development Plan proposes to deepen the integrated development of finance in Shenzhen and Hong Kong, enhance the capacities of financial services for serving the real economies of Shenzhen and Hong Kong, and promote innovation in the Qianhai financial regulatory mechanisms, thereby engendering new opportunities for Shenzhen-Hong Kong financial co-operation.

Besides, the Central financial authorities and the People's Government of Guangdong Province jointly promulgated the "Opinion on Providing Financial Support for the Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" (the Opinion) in February last year, setting out 30 measures on financial reform and innovation, leveraging Qianhai's deepening reform to support Hong Kong's integration into the national development of the reform and opening up of the financial market.

There has been close financial co-operation between Shenzhen and Hong Kong. We have established a task force with the Shenzhen Municipal People's Government on promoting financial mutual access, seeking to jointly take forward various financial co-operation initiatives. Premising on this good foundation, we and the financial regulators will continue to seize the opportunities availed by the directions set out in the Qianhai Overall Development Plan and the Opinion to enhance the co-operation and communication with Shenzhen, and promote the sustainable industry development.

My reply to the question raised by Hon Lee is as follows:

(1) Under the Mainland and Hong Kong Closer Economic Partnership Arrangement, the Mainland has since 2004 simplified the relevant procedures for securities practising registrations and futures or fund qualification applications on the Mainland by Hong Kong professionals. Hong Kong professionals holding relevant licences issued by the Securities and Futures Commission (SFC) are only required to pass relevant examination on Mainland laws and regulations and are exempted from examination on professional knowledge. The SFC has offered reciprocal arrangement to the Mainland professionals.

The Qianhai Overall Development Plan mentions enhancing the employment environment for talents by allowing eligible professionals in finance (who possess occupational qualifications in Hong Kong, Macao or with international recognition) to provide services in Qianhai after filing or registration, with their offshore job experience recognised. The regulators in Hong Kong and the Mainland will continue to examine enhancement measures to explore ways of broadening Hong Kong professionals' entry into the Mainland market, thereby increasing the flexibility in the provision of human capital for the Mainland and Hong Kong markets.

(2) We, together with the Shenzhen Qianhai Authority, jointly promulgated the 18 Measures for Supporting the Linked Development of Shenzhen and Hong Kong Venture Capital Investments in Qianhai in September 2022, which provide facilitation and preferential policies for the Hong Kong private equity industry, including supporting eligible Hong Kong limited partnership funds to set up qualified investment entities in Qianhai to commence onshore investment; enhancing the entry threshold and application procedures of the Qianhai Qualified Foreign Limited Partnerships (QFLPs) pilot scheme, expanding the investment scope and reducing the processing time.

The Qianhai Authority has implemented the QFLP enhancement measures since May 2023. Compared with other pilot areas, Hong Kong investors enjoy various advantages under Qianhai's QFLP pilot scheme (such as lower entry requirements, wider investment scope, more convenient cross-boundary investments, and simpler negotiation procedures). For entry requirements, on top of the SFC's Type 9 licence holders, the Qianhai Authority has added the SFC's Types 1 and 4 licence holders as well as banking and insurance licence holders as eligible entrants, and lowered the requirements on capital and assets under management. On widening the investment scope, non-performing assets are included on top of equity of non-listed companies, non-publicly issued or traded ordinary shares of listed companies, rights issued to existing shareholders of listed companies, etc. On simplifying the application procedures, the Qianhai Authority has reduced the application materials from 11 to eight items, changed the requirement on hardcopy submission to online digital submission, and pledged to complete negotiation with applicants within ten working days after their full submission of qualified materials. These measures have increased the application and processing efficiency of the QFLP pilot scheme.

We understand that the tax rates currently stipulated in the Law of the

People's Republic of China on Enterprise Income Tax are applicable to the Qianhai QFLPs, and the tax rates applicable to individual enterprises and investors will depend on their actual circumstances. The Qianhai Authority's dedicated officers are responsible for liaising with interested Hong Kong investors and facilitating them in participating in the Qianhai QFLP pilot scheme. As of end-2023, 26 institutions from Hong Kong have set up operations in the Qianhai venture capital cluster.

(3) As an international financial centre, Hong Kong possesses unique institutional advantages and qualities under "one country, two systems", and is the testing ground and firewall at different stages of the financial reform of our country. Hong Kong contributes to the high-quality opening-up of the Mainland financial market and the consolidation of institutional, normative and operational experiences for the development of the Mainland market and its gradual alignment with international standards.

With the strong support from the Central People's Government (CPG), a number of mutual market access schemes facilitating two-way cross-boundary investment have thrived and achieved various breakthroughs over the past few years, further fostering the connectivity and concerted development of the Mainland and Hong Kong markets. Measures cover the introduction of offshore A-share index futures in Hong Kong, inclusion of Exchange-traded Funds and stocks of foreign companies under Stock Connect, and launch of mutual access between the interest rate swap markets (which introduces for the first time mutual access arrangements in the realm of financial derivatives products). On January 24 this year, the CPG and the HKSAR Government jointly announced six new measures to deepen the financial co-operation between Hong Kong and the Mainland, which include expanding the list of eligible collateral for the Hong Kong Monetary Authority's Renminbi (RMB) Liquidity Facility by covering RMB bonds issued onshore by the Ministry of Finance and the Mainland policy banks; further opening up the onshore repurchase agreement market to all foreign institutional investors (including Bond Connect investors) that already have access to the China Interbank Bond Market; and publicising the enhancements to the Implementation Arrangements for the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. The measures are conducive to the development of Hong Kong's offshore RMB market, thereby further consolidating Hong Kong's status as an international financial centre and a global offshore RMB business hub.

Looking ahead, the Government in collaboration with the financial regulators will continue to closely liaise with the relevant Mainland authorities in swiftly implementing the measures supported by the regulators in the two places. Among others, we will endeavour to take forward the inclusion of RMB counters under Southbound trading of Stock Connect, issuance of Mainland government bond futures in Hong Kong, and introduction of block trading under Stock Connect. Meanwhile, we will continue to explore with the relevant Mainland authorities various expansion and enhancement arrangements by seizing the opportunities brought by the national strategies and high-quality financial development of our country, with a view to furthering the interaction and integration of the capital markets in the two places, injecting new impetus into cross-boundary market liquidity, and promoting the

development of the local financial services industry.