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 fin 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.

LCQ15: Combating unfair trade practices

Following is a question by the Hon Chan Kin-por and a written reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (November 8):

Question:

Regarding combating unfair trade practices, will the Government inform this Council:

(1) whether it knows the number of complaints about unfair trade practices received by the Consumer Council (CC) in the past three years, together with a breakdown and percentage by trade practice;

(2) whether it knows the number of complaints about the pre-payment mode of consumption received by the CC in the past three years and the total amount of money involved, together with a breakdown by industry (including the beauty and fitness industries);

(3) of the corresponding measures taken in the past three years by the Government to combat unfair trade practices, and whether it has assessed the effectiveness of such measures; and

(4) given that the Commerce and Economic Development Bureau launched a three-month public consultation in 2019 to solicit views on the proposal to implement a statutory cooling-off period through legislation to regulate beauty and fitness services consumer contracts, but the relevant work was affected by factors such as the social environment and the economic situation at the time, whether the authorities will, after assessing the current social environment and economic situation, expeditiously review the relevant proposal; if so, of the specific work and timetable; if not, the reasons for

that?

Reply:

President,

Currently, various laws in Hong Kong protect consumers' rights and interests. Among others, the Trade Descriptions Ordinance (Cap. 362) (the Ordinance) prohibits traders from subjecting consumers to certain unfair trade practices, including false trade descriptions, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment. The Ordinance covers goods and services, and is applicable to the trade practices of both physical and online traders. Traders who contravene the relevant provisions of the Ordinance are liable to a maximum penalty of imprisonment for five years and a fine of $500,000.

The Customs and Excise Department (C&ED) is the principal enforcement agency of the Ordinance.

In addition, the Consumer Council (Council) endeavours to study and promote the protection of consumers' rights and interests, and carries out its statutory functions in accordance with the Consumer Council Ordinance (Cap. 216), including receiving and examining complaints concerning goods and services from consumers and giving advice to them.

The numbers of complaints received by the Council in the past three financial years, categorised by the unfair trade practices prohibited under the Ordinance, and the respective percentages (a number in brackets is the percentage of the number of complaints of a certain category as compared to the total number of complaints received in that financial year) are set out in the table below:

Category (Note)	2020-21	2021-22	2022-23
False trade descriptions	1 092 (66.5%)	1 005 (61.2%)	824 (58.0%)
Misleading omissions	224 (13.6%)	236 (14.4%)	207 (14.6%)
Aggressive commercial practices	182 (11.1%)	157 (9.6%)	135 (9.5%)
Bait advertising	21 (1.3%)	31 (1.9%)	65 (4.6%)
Bait-and-switch	14 (0.9%)	19 (1.2%)	54 (3.8%)
Wrongly accepting payment	109 (6.6%)	193 (11.8%)	135 (9.5%)
Total	1 642 (100%)	1 641 (100%)	1 420 (100%)

The Council does not compile breakdowns of the statistics based on the criterion of whether or not a complaint involves pre-paid mode of consumption.

As the principal enforcement agency of the Ordinance, the C&ED adopts a three-pronged approach to combat unfair trade practices. Among others, the C&ED is given the authority to conduct criminal investigations into and prosecutions on unfair trade practices, with a view to combatting non-compliant conducts at source. These, coupled with the sentences imposed by the court, cause deterrent effects on unscrupulous traders. In addition, the C&ED also carries out compliance promotion and conducts publicity and public education in collaboration with the Council, so as to promote regulatory compliance among traders and the concept of "smart consumption" among consumers.

During the period from 2020 to the end of September 2023, the C&ED mounted six special operations to combat unfair trade practices. A total of 40 004 complaints received by the C&ED and other cases proactively developed by the C&ED were consolidated into 444 detailed investigation cases (more than one complaint may be involved in certain cases). During the above period, the C&ED had completed the investigation of 470 cases, and had:

(i) issued warning or advisory letters to the traders and sales staff concerned in 73 cases, urging them to comply with the relevant statutory requirements; and

(ii) completed 276 prosecution cases, among which 251 were convicted cases, representing a successful prosecution rate of over 90 per cent and covering different sectors. The court imposed imprisonment in 77 cases (39 persons were imposed imprisonment, including 31 persons subject to immediate custodial sentence and eight subject to suspended sentence), with the maximum term of imprisonment of 27 months. The court also imposed fines in 154 cases, with the amount ranging from $500 to $160,000.

The case with a term of imprisonment of 27 months abovementioned is the one with the heaviest prison sentence so far. The case concerned the staff of a fitness centre having engaged in aggressive commercial practices in the course of selling fitness service contracts, with the victims suffering losses of over $820 000 in total.

On compliance promotion, by proactive visits to different industries and conducting briefings, the C&ED provides traders with advice and guidance on the legal requirements under the Ordinance as well as measures that should be taken for complying with the Ordinance. Among others, the C&ED held a total of 77 outreach talks, seminars and meetings for various industries during the above period.

On publicity and public education, the C&ED, in collaboration with the Council, launches extensive publicity and education programmes, so as to raise consumers' awareness of unfair trade practices, promote the concept of "smart consumption" and also promote good practices among traders. Among others, in the past three financial years, the C&ED arranged personnel to conduct patrols and distribute promotional leaflets at shopping hotspots during festive seasons, with a view to strengthening travellers' understanding of unfair trade practices and the ways and channels to seek assistance from the C&ED. The C&ED also published tips on "smart consumption" and promotional videos on its official social media accounts, including those on the platforms of Douyin and WeChat, to promote the key points about "smart consumption" to consumers.

In the past three financial years, the Council received a total of 89 793 complaints, and facilitated in the conciliation of 63 462 pursuable cases among the above complaints. The Council does not have the breakdowns of the complaints by categories.

The Government notes that unfair trade practices involving pre-paid mode of consumption is a matter of concern in society, in particular those that concern the trade practices of fitness centres and beauty parlours, including the use of aggressive tactics to sell services that involve large amount of pre-payments. In this regard, the Government launched a three-month public consultation in 2019 to solicit views on the proposal to stipulate a statutory cooling-off period for beauty and fitness services consumer contracts through legislation. However, shortly after the completion of the public consultation, there have been drastic changes in the social environment, economic situation and consumption sentiment since the second half of 2019. As Hong Kong has only started resuming normalcy in full this year, enterprises (especially small and medium enterprises) are still facing various challenges in their operations. We will continue to, having regard to the prevailing circumstances including the economic situation and relevant complaint and enforcement statistics, critically review the relevant proposal before deciding the way forward.

Meanwhile, the enforcement agencies will continue to spare no efforts in enforcing the Ordinance and combatting common unfair trade practices at source. The Government will also continue to closely review the trend of unfair trade practices, so as to formulate appropriate strategies in protecting consumers' rights and interests.

Note: The categorisation is by the unfair trade practices prohibited under the Ordinance. If a complaint involved more than one category of unfair trade practice, it would be counted towards the most relevant category.

Secretary for Health calls on National

Medical Products Administration (with photo)

The Secretary for Health, Professor Lo Chung-mau, and his delegation called on the National Medical Products Administration (NMPA) on their last day of visit to Beijing today (November 8).

Professor Lo and his delegation met with Deputy Commissioner of the NMPA Mr Zhao Junning. The two parties exchanged views on boosting closer collaboration between the Mainland and Hong Kong on matters such as approval of drugs and medical devices, and clinical trial work.

Professor Lo introduced the announcement of developing Hong Kong into a health and medical innovation hub by the Chief Executive in the Policy Address last month, with an aim to establish a drug approval authority based on "Primary Evaluation" in the long run.

Professor Lo said, "The Hong Kong Special Administrative Region Government will leverage the city's medical strengths in a more proactive and efficient manner. The specific measures to establish a drug approval authority based on 'Primary Evaluation' in the long run include the set-up of a preparatory office for the Hong Kong Centre for Medical Products Regulation; accession to the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use; the establishment of the Greater Bay Area International Clinical Trial Institute; promotion of clinical research and trials under the Hospital Authority (HA); and the establishment of the new '1+' mechanism for expediting the approval of new drugs."â€…

"We anticipate to attract more local, Mainland and overseas pharmaceutical and medical device enterprises to conduct research and development and clinical trials in Hong Kong, and build up the capacity, recognition and status to ensure that the eventual approval mechanism of drugs and medical devices of Hong Kong would be widely recognised internationally and by the Mainland. As such, we have rolled out/will roll out a series of measures."

Members of the delegation include the Permanent Secretary for Health, Mr Thomas Chan; the Director of Health, Dr Ronald Lam; the Chairman of the HA, Mr Henry Fan; and the Chief Executive of the HA, Dr Tony Ko. The delegation will return to Hong Kong tonight.

LCQ1: Government initiatives on encouraging childbearing

Following is a question by the Hon Shiu Ka-fai and a reply by the Deputy Chief Secretary for Administration, Mr Cheuk Wing-hing, in the Legislative Council today (November 8):

Question:

The 2023 Policy Address has proposed a number of initiatives to encourage childbearing. Many members of the community have expressed their agreement to the initiatives, with some members of the public holding the view that the Government may improve the relevant initiatives and step up efforts in their implementation. In this connection, will the Government inform this Council:

(1) whether it will consider disbursing an annual cash bonus of $40,000 to each newborn baby of the grass-roots until the baby reaches the age of 5 to 6; if so, of the details; if not, the reasons for that;

(2) as there is a proposal that the Government should introduce a child tax allowance to be calculated on a progressive basis to encourage childbearing among middle-class families, i.e. a tax allowance of $150,000, $300,000 and $600,000 for the first, second and third child respectively, whether the authorities have studied and considered the proposal; if so, of the reasons for not adopting the proposal; if not, whether they will consider the proposal; and

(3) as there is a proposal that the Government should introduce a tax deduction for the expenses of employing foreign domestic helpers ("FDHs") in order to encourage childbearing, reduce the expenses of young families on employing FDHs after childbirth, and unleash the female labour force, whether the authorities have studied and considered the proposal; if so, of the reasons for not adopting the proposal; if not, whether they will consider the proposal?

Reply:

President,

(1) All countries and places worldwide are facing a decline in fertility rate. Hong Kong is no exception. Our birth rate remains at a low level, falling to a low point of mere 0.9 in 2022. Meanwhile, Hong Kong has the longest life expectancies in the world. The proportion of elderly persons aged 65 and above will increase from 20 per cent of Hong Kong's population to nearly one-third in ten years' time.

In the face of such challenges, the Government must formulate measures to raise fertility rate. During the Policy Address consultation exercise, aspirations for the Government to take measures in this regard came through loud and clear. As such, the Chief Executive announced in his 2023 Policy Address an array of measures to promote fertility by adopting a "combination punches" approach. These measures, including giving families with newborns priority on flat selection and allocation, enhancing child care support, increasing tax concessions and providing newborn baby bonus etc, aim to encourage fertility by creating a conducive environment for childbearing. We strive to deliver a strong message to society that the Government is making every effort to boost childbirth, so as to reverse the low level of local birth rate, to provide the manpower required for the long-term economic development of Hong Kong and to alleviate the problem of an ageing population.

Under the newborn baby bonus scheme, the Government will provide a cash bonus of $20,000 to eligible parents (that is either parent must be a Hong Kong permanent resident at the time of application) for each baby born in Hong Kong on or after October 25, 2023. The scheme would run for three years.

The question proposes to disburse an annual cash bonus of $40,000 to each newborn baby of grass-root citizens until the baby reaches the age of 5 to 6. In other words, each newborn baby would be disbursed with $200,000 to $240,000 within a span of five to six years. A preliminary estimate of the expenditure incurred by the proposal is that it would reach tens of billions of dollars. This is a colossal financial burden and not a good use of resources either. The Government has no plan to adopt the proposal concerned.

As mentioned earlier, the provision of the newborn baby bonus is only one of the whole array of measures to promote fertility. Right from the inception of contemplating such policy initiatives, the Government does not consider that the introduction of the baby bonus scheme alone would be able to substantially increase the fertility rate. Therefore, what we have proposed is a host of measures. Among them, setting aside a quota for families with newborns to ballot for Subsidised Sale Flats and giving them flat selection priority as well as reducing the Public Rental Housing waiting time for such families are policy breakthroughs and quite attractive. We hope that these measures coupled with enhancement of child care support and increase in tax concessions etc would help make young families to positively consider adding new members to their families.

(2) Starting from the year of assessment 2023/24, the basic child allowance and the additional child allowance for each child born during the year of assessment have been raised from $120,000 to $130,000. In addition, to support families with newborn children, the Chief Executive proposed in the recently delivered Policy Address that, starting from the year of assessment 2024/25, the deduction ceiling for home loan interest or domestic rents will be raised from $100,000 to $120,000, for taxpayers who live with their first child born on or after October 25 this year until the child reaches the age of 18. We believe that these existing or announced tax measures will help alleviate the financial burden of taxpayers from raising children.

When considering proposals in respect of allowances under salaries tax, it is essential that the Government takes into account the impact of the proposals on public finance and whether the proposals are in line with the principles of simplicity and fairness of the tax regime, so as to strike a balance between reducing taxpayers' tax burden and maintaining healthy public finance. Based on our preliminary assessment, if allowances of $150,000, $300,000 and $600,000 are granted for a taxpayer in respect of his/her first, second and third child respectively, it is estimated that government revenue will decrease by about $4.2 billion per year, which is about 5 per cent of the total revenue from salaries tax and tax under personal assessment in 2022-23. As the proposal will significantly increase the financial burden on the Government, the Government has no plan to adopt the proposal concerned.

(3) As for the proposal to introduce tax deduction for the expenses of employing foreign domestic helpers, as in our reply on child allowances given above, in considering tax measures, including whether to introduce new tax deductions, it is essential for the Government to carefully scrutinise the impact of the proposals on public finance, and whether the proposals are in line with the principles of simplicity and fairness of the tax regime. The ultimate objective is to strike a balance between reducing taxpayers' tax burden and maintaining healthy public finance.

As mentioned in our reply to part (1) of the question, the Chief Executive has announced a series of initiatives in this year's Policy Address to promote fertility through a multi-pronged approach. Regarding the proposal of introducing tax deduction for expenses on the employment of foreign domestic helpers, the Government has no plan to adopt the proposal concerned.

LCQ13: Budget for housing production

of Hong Kong Housing Authority

Following is a question by the Hon Andrew Lam and a written reply by the Secretary for Housing, Ms Winnie Ho, in the Legislative Council today (November 8):

Question:

According to the budgets and financial forecasts released by the Hong Kong Housing Authority (HA) in January this year, the HA's cash and investment balance will decrease from around $58.9 billion at the beginning of April 2022 to around $49.7 billion by the end of March 2027, while construction and operating expenditures will continue to increase over the period. In this connection, will the Government inform this Council:

(1) of the average (i) maintenance and improvement works costs, (ii) management costs and (iii) construction costs per public rental housing (PRH) flat in each of the past five years;

(2) whether it has estimated the rates of increase in the average construction and operating expenditures per PRH flat in each of the next three years; and

(3) of the HA's specific policies or plans to generate revenue and manage costs?

Reply:

President,

Regarding the question raised by the Hon Andrew Lam on the budget of public housing expenditure for the Hong Kong Housing Authority (HA), my reply is as follows:

(1) Information on the average (i) maintenance cost, (ii) management cost, and (iii) construction cost per public rental housing (PRH) unit of the HA from 2018/19 to 2022/23 is set out in the tables below:

(i) Annual average maintenance cost per PRH unit (comprises costs of relevant maintenance works incurred at estate level)

Financial Year	($)
2018/19	4,496
2019/20	4,751
2020/21	4,980
2021/22	5,120
2022/23	5,380

(ii) Annual average direct management cost per PRH unit (comprises recurrent expenditure for property management incurred at estate level)

Financial Year	($)
2018/19	5,880
2019/20	6,108
2020/21	6,480
2021/22	6,770
2022/23	6,980

(iii) Average construction cost per PRH flat

From 2017/18 to 2021/22, the average construction cost per flat (Note) of PRH/Green Form Subsidised Home Ownership Scheme (GSH) based on the costs of building tenders approved by the HA is set out below:

Financial Year	($'000)
2017/18	800
2018/19	660
2019/20	610
2020/21	650
2021/22	760

(2) There is no data under the HA for projecting average construction and operating expenditure per PRH unit for the next three years. However, based on the budget and financial forecast released by the HA in January this year, it is assumed that in the next three years (i.e. 2023/24 to 2025/26), the construction expenditure and PRH operating expenditure during the period will increase annually by approximately 7 per cent and 4 per cent respectively.

(3) To meet the public housing supply target, the HA envisages that construction expenditure will likely continue to increase. As such, the HA will remain vigilant in exercising prudent financial control, and will conduct annual rolling of the five-year budgeting exercise, and assess and review the relevant expenditure budget.

For estate management, the HA has all along been adopting the principle of prudent financial management and cost control during the preparation of financial budget. The HA also conducts review on the repair and maintenance contracts and management services contracts of estates from time to time, with a view to keeping the expenditures within the financial budget. In addition, the HA has been implementing a series of measures in public housing estates to savecost, such as installing energy-saving lighting fixtures in the corridors of residential buildings, implementing lift modernisation scheme for aging lifts, etc. The HA will also adopt innovative technologies such as the Internet of Things sensors, artificial intelligence and mobile devices to help daily estate management.

The HA has all along been adhering to the design principle of "functional and cost effective" and adopting Modular Flat Design to maximise the development potential of the land and achieve economic efficiency. The HA will continue to closely monitor the tender price movements, and follow the established mechanism in approving project budgets for implementing public housing development programmes. In addition, the HA will continue to apply innovative construction technologies, including the adoption of Modular Integrated Construction (MiC) approach, Design for Manufacture and Assembly (DfMA), MultiTrade Integrated Mechanical, Electrical and Plumbing (MiMEP), etc, to enhance productivity and shorten construction time. With such technologies becoming more popular and mature, it will help decrease the construction cost in the long run.

Note: The average construction cost per PRH/GSH flat is calculated based on the costs of building tenders of projects approved by the HA in the preceding financial year. As the number of building tenders approved by the HA and other factors such as scale and design of the projects, as well as market conditions are not the same in each financial year, the average construction cost for each financial year varies.