

Transcript of remarks by CE at question-and-answer session of Joint Business Community Luncheon (English only)

Following is the transcript of remarks by the Chief Executive, Mrs Carrie Lam, at the question-and-answer session of the Joint Business Community Luncheon held at the Hong Kong Convention and Exhibition Centre today (October 31):

Attendee: From CMA (The Chinese Manufacturers' Association of Hong Kong). The violent incidents in the recent months have seriously damaged Hong Kong's international image and taken toll on our economy, especially the tourism industry. A number of exhibitions, trade fairs, conferences and mega events have been cancelled, postponed or even relocated to other places, and overseas businessmen are now hesitant to travel to our city. In this connection, would the Government consider coming up with immediate measures, such as financial incentives to support business travellers and buyers visiting Hong Kong, as well as local organisers of MICE activities – meetings, incentives, conventions and exhibitions? Thank you.

Chief Executive: Thank you very much. This is also briefly covered in my speech. Of course, I understand the phenomenon that you have described and we have seen some conferences, especially some major outdoor sports events, being cancelled. If I could just, before answering categorically your question, make an appeal – If Hong Kong wants to go back to normal, on the one hand we have to end violence, but on the other hand we have to continue the things that we are doing. So, make an effort, I know how difficult it is, sometimes, to have all these uncertainties and security risks, but make an effort.

Without much publicity, I can share with you that the Government is making every effort to preserve as much as possible all these international conferences and events. I can give you a few examples. Last week, we have a major international forum on the Greater Bay Area, inviting a lot of overseas guests. This was jointly organised by the Hong Kong SAR Government and the OCMFA. And in September, we had a very successful fourth summit on the Belt and Road. Just this morning, I was officiating at International Water Association Asia-Pacific conference, attracting a thousand participants coming from all over the world. So please help us, help Hong Kong, and try to retain these events as much as possible. And on this, I must pay tribute to CMA for continuing to run this year's Expo (Hong Kong Brands and Products Expo) in the Victoria Park. I understand that you have a bit of internal struggling, but the fact that you have decided to continue with this very important domestic event is a demonstration of your great courage and great support.

Now coming back to the tangible things that we could offer, of course I look to Edward Yau, who looks after the tourism and also trade, investment and so on. We have rolled out some initiatives on the tourism front. We are happy to consider more. But I hope to impress upon you that we really want to do things which are targeted in order to ensure the effectiveness of those measures. So, if there is anything you feel we could do, in terms of attracting more international events, conferences, meetings coming back, especially after a bit of stabilisation – now is really very difficult, you have to allow a bit of stabilisation- then we can go all out to promote. I am very happy to ask my colleagues to come up with maybe a package of what we could offer. It could include some hospitality, it could include some publicity materials and things so that people feel more being welcomed to come to Hong Kong.

So, yes, we will bear in mind your suggestion and try to see what we could do together with our relevant bureaux and departments. If the industry leaders could come up with very specific ideas, for example you have one conference you want to host next year, you want us to provide more support, let us know; you have something that you want to bid to host internationally, maybe one or two years down the road, you need some government support, reference letter, by all means let us know. If you are bringing in distinguished delegates from outside, you want a reception in Government House, a dinner in Government House, let me know. I'm very forthcoming to join in together with you to show our hospitality to visitors from all over the world.

Attendee: From Federation of Hong Kong Industries. As we all know that the Greater Bay Area (GBA) is an important growth engine for the Mainland economy in the coming decades, Hong Kong is assigned an important role to leverage its strengths in financing and connectivity to complement the GBA development. In addition, Hong Kong is expected to make great efforts to develop the innovation and technology industry to fulfil the aim of building its innovation and technology strength. The Chief Executive announced in the 2019 Policy Address that the coverage of certain technology talent schemes to be extended to companies outside from the Hong Kong Science and Technology Park and Cyberport to cover all technology companies. So may I know if the Government has any funding scheme coverage extension plan to help the local technology companies grasp the GBA opportunities? Thank you.

Chief Executive: Well, thank you very much. That question actually covers two main areas in our economic development agenda. One is the potential and the opportunities offered by the Greater Bay Area, the other is in innovation and technology (I&T). If I may take the second aspect first, I&T is the singular policy area that this term of Government has put in a lot of time, attention and resources. If you turn to the Policy Address Supplement, there is a one pager that gives you a breakdown of the HK\$100 billion that we have invested in innovation and technology in the last two years. Finding the money is not too difficult; spending the money is quite tricky. Sunny Chai is here – a lot of money goes to the Science and Technology Parks and that has kept Sunny very busy in spending the money to attract talents, in offering incubation programmes, in building new extensions to the Science Park and so on. I am

prepared to continue to invest in innovation and technology because that is a very promising sector that will help diversify Hong Kong's economy, provide opportunities for the young people and also tap into the Greater Bay Area. At the moment, many of the fund schemes are not confined entirely to Cyberport and Science Park. We have different types of research funding and even within the Government, we have a TechConnect scheme. I would advise you to go to that book to understand all these schemes. If there are certain areas which we could further relax, I'm sure we are happy to consider. Normally, we try it out in a more cautious way, like the tech talent admission scheme and the research students and post-PHD programme, but after a while we are happy to expand these well-established, well-tested schemes to other eligible applicants or business. If you have any specific suggestions to make, we are happy to receive them.

On the Greater Bay Area, actually a lot has been spoken about the Greater Bay Area. When you come to think of it, it was only in February this year that the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was promulgated. We are only about nine months into the execution of this plan, but a lot already has happened through Central Government's support in the Greater Bay Area development leading group. We have already rolled out two batches of facilitating measures in the Greater Bay Area and I hope very soon the Greater Bay Area leading group will meet for its third time and another batch of facilitating measures will be implemented arising from that meeting.

The Greater Bay Area has so much to offer Hong Kong and it's difficult to describe to you, I'm sure some of you will know that. Let's take innovation and technology because this is where we have strengths in the Greater Bay Area. One is because we have very good universities – five of them are amongst the top 100, and in fact in addition to the Chinese University Shenzhen campus, and the Baptist University joint university in Zhuhai, last month, I attended the ground breaking ceremony of the Hong Kong University of Science and Technology's new campus in Nansha, Guangzhou. That is a very huge campus, and I understand that at least two or three other universities in Hong Kong are discussing with their Mainland counterparts, basically at the city government level, plans to set up campuses or colleges in the Greater Bay Area. This is one of our strengths which we should capitalise and leverage on in developing the Greater Bay Area.

Second is of course our financial centre that will be able to offer the financial services, the raising of capital, issuing of bonds, to the Greater Bay Area Mainland city enterprises.

Third is our connectivity. That we can connect the Greater Bay Area to the rest of the world. That's why in the last two years, major overseas promotional campaigns of the Greater Bay Area are led by Hong Kong because of our ETOs abroad. We have been to Paris last June, to Tokyo this April and are planning to go to Australia early next year.

And together with our other strengths like the rule of law, the free flow of capital, information, people, I can see huge potential for the

Greater Bay Area. In the last four or five months, we are coping with a lot of unprecedented circumstances, but I can tell you that our work on the Greater Bay Area actually has not been significantly hampered. We are still talking to Guangdong – Governor Ma Xingrui was jokingly telling people that I still met him once every month in different occasions to talk about the Greater Bay Area. We have put forward to Guangdong an eco-development plan that is on conservation and environmental protection side, how the Greater Bay Area could be planned on the ecological side as a whole.

And we are talking about how we can make a better use of the bridge and also the landbased control points. In my Policy Address, I announced that we would put in another 24-hour border control point at the Shenzhen Bay. With the opening of the seventh control point in Liantang/Heung Yuen Wai early next year, we will be seeing even more easy access between Hong Kong and the Greater Bay Area that will facilitate the flow of people and goods. In a nutshell, please bear in mind that we still have a lot of opportunities and don't lose confidence because the Central Government has time and again reiterated support for Hong Kong, and we will continue to do our part to strengthen our own policies and capacity in order to better tap those available opportunities. Thank you very much.

Attendee: I'm a retailer, I got shops in Causeway Bay, North Point, Fortress Hill and Yuen Long. We sell local stuff, convenience stores, 餅家 – biscuits, noodles, drinks to local shops. Our staff are suffering from tear gas every day, and as soon as the Government declared a riot, our insurance invalidated. So what are you gonna do about it? And the worst of all is one of our landlords has asked us to buy additional 10 million dollars of insurance to protect the interest of the landlord. Is the Government going to underwrite this? Because as soon as we have no insurance, we cannot legally operate. Now the worst of all is when we go to those – ask for the government fund, the government guaranteed loan, and the bank says "How much money have you got in your bank account in the last six months?" And that doesn't really help. At the end, we got a 26 per cent APR loan that only lasts us for a month of overhead. If you don't deal with this quickly enough, you will soon see lots of foreclosures all over the streets of Hong Kong in retailers. And even worse, when you talk about we want to go digitalise, we want to automate, but when we go to TDC or TID, they can't get money to us. The framework doesn't help us. It's so difficult. I go to those forums organised by HKTID telling us that "oh, we want to help you SMEs to get funds in this crisis time". And what we get? A bunch of people said we can't get the money, we can't get the funding or it takes too long – it's going to six months or 12 months even, and most retail rents is two years only. So the question is, you've got lots of schemes, the money doesn't get to us, how are you going to get the money to the SMEs, to the retailers, to the young entrepreneurs, like myself, who is in urgent need for help right now, for now and for the years to come? Thank you.

Chief Executive: Thank you very much. Let me assure you that we are with you at this very difficult time. As far as the issue of insurance, in fact one of these chain businesses wrote to us about the problem of insurance and I have asked the Secretary for Financial Services and the Treasury to examine it to

see what special measures we could put in place, because when we said that we are facing some unprecedented circumstances, these do warrant exceptional measures. If we still act exactly in the same conventional mode as if business is usual, life is normal, then we are not being very responsible. So I can assure you that I've been impressing upon my colleagues and working with my colleagues that we are facing some exceptional times that call for exceptional responses from the Government. That's point number one.

Point number two, especially about the many, many funding schemes for the SMEs, the Secretary for Commerce and Economic Development has actually taken several proactive steps to try to bring all these funds together, not only under his bureau, but also under Nick Yang's bureau, because some of those come under promotion of technology, automation, digitalisation, some under commerce and economic development. So I understand Edward together with Nick have put together this consolidated and hopefully one-stop or one single window type of facilitation in order to help SMEs to access the funds we have. There's plenty of money there. It's actually quite ironical – there's plenty of money over the years being injected into various pockets of funds to help SMEs. This is a time really to loosen up a bit and to consolidate a bit to make sure that the money will reach the people or the businesses whom we want to help.

If you find that the things that we have put in place are not good enough, Edward, Nick, all of us need to work harder in order to make sure that the money that we want to put to the target enterprises will reach them, will reach them as soon as possible. For example, many of the schemes run on the basis of reimbursement. In other words, the successful applicant has to spend his or her own money, come back with invoices, then we pay. I think we have already changed that, whether on Nick's front or Edward's front, that we are happy to advance, by instalment or by whatnot, advance the money so as to ease the cash flow of the SMEs. Again, let us know specifically the problems – you have described some. We'll go back to see what has gone differently to the extent that our original intention has not been fully met, and see what we could improve. We're certainly looking for improvements every day in order to overcome this crisis together. So let's join hands to solve some of these problems.

Attendee: Hi, CEO of Habitat for Humanity Hong Kong. Thank you so much for the opportunity to ask this question because last year in your public Policy Address, you put housing at the top of your list of priorities and it's still there again this year, which is fantastic that there is a deep commitment to addressing some of the challenges here. What I'd like to ask is what do you see is the most successful outcome over this last year with housing, biggest challenge that we're still facing? And you talk about going to public consultation on many levels with lots of different policies around housing, which is fantastic, and we look forward to talking more. But in the meantime, what have you seen from overseas in terms of creating policies that could be potentially brought to Hong Kong to address some of the main challenges that we have here for housing? Thanks.

Chief Executive: Thank you very much. I actually had attended at least one or

two events on Habitat for Humanity and Darwin Chen was there. Let me respond in two respects. One is in the last year or so, what is the housing measure that I felt perhaps was a timely and a reasonable one. And that was in June last year, I rolled out six housing policy measures, one of which was to adopt a different pricing formula for the subsidised sale flats, that is Home Ownership, Green Form Subsidised Home Ownership or Starter Homes. Because hitherto, there was a complaint that even for subsidised sale flats, the selling price was pitched with reference to the market prices. So when market prices surged, even the subsidised sale flats were sold at much higher prices. You remember there was a project, an HOS project last year, that was sold at over HK\$10,000 per square foot so people became very anxious – why did the Government sell these subsidised sale flats at this sort of pricing? So last June, we adopted a different pricing formula which de-links the subsidised sale flat pricing from the private market and links it to affordability. I wouldn't go into details about how the methodology works, except to tell you the outcome. As a result of that different pricing formula, the two batches of HOS flats being sold in 2018 and 2019 have saved on average for each flat buyer close to 0.5 to 0.8 million dollars. They are paying less for the subsidised sale flats. The reason why I attach importance to this initiative is because we all know we need more land to build more flats for sale, for rental, but I heard from the community that what's the point of supporting the Government to get more land because with more land, you're building flats which I could not afford? There was that sort of alienation from policy. Since land formation and land supply take time, I thought last year the first thing is to give people back confidence that if Government manages to get the land and build the flats, the flats are affordable. That was one of the housing policy initiatives that I attach importance to.

As far as what we have learned from overseas experience or even from Habitat for Humanity is if we are concerned about humanity, that if our heart goes to the people who are inadequately housed, living in poor conditions in subdivided flats, non-hygienic environment, then the first thing is to lift them out of this situation, either by giving them some cash to mitigate the difficulty, or to give them transitional housing instead of just saying that "You have to wait. I'm sorry, you have to wait because I don't have land. So, instead of three years, four years, now it's 5.4 years on average before you get the first flat allocation from the public rental housing".

In this Policy Address, the two measures that we have put in place – one is for those who are waiting but who are inadequately housed, who don't have a subsidised rental flat, who come from relatively poor families, we will give a rental or what we call a cash allowance to these families. And I promise that by the end of next year we will come up with a scheme. Meanwhile, we will ask the Community Care Fund to do two injections of one-off subsidies for these target families so that their financial situation will be improved. The second measure is we fully recognise that in whatever society when there is a housing shortage, it will take time to build so people will have to wait. So transitional housing or what we call social housing now, perhaps is a needed feature in our housing portfolio. Instead of just building one project, another project, I am now pledging that in the

next few years, we will build 10 000 transitional housing units, particularly we now have a new method to build – this either you call it prefab or MiC. The Modular Integrated Construction method is to build on land which we do not have immediate plans to develop or they are waiting for other things to happen before they could build permanent housing. And I am pleased to say that when I pledged 10,000, I do have some level of confidence given to me by my colleagues, especially when we do have some private developers who are kind enough to lend us some of their land so that we could build on this land with a larger size transitional housing. I do feel that perhaps in many years to come, this transitional housing, but nicely built transitional housing, will become a more or less important feature in our housing programme, and that is something we learnt from some overseas experience. In some Western economies, they still will need some form of transitional housing in order to provide immediate relief to people living in very poor physical conditions. Thank you very much.