

# LCQ11: Fire safety of petrol filling stations

Following is a question by the Hon Frankie Yick and a written reply by the Secretary for Security, Mr John Lee, in the Legislative Council today (October 24):

Question:

Some members of the public have pointed out that it is a rather common phenomenon that drivers, taking no heed of the appeal of the staff of petrol filling stations, (i) use mobile phones within the area of petrol filling stations and (ii) fail to switch off the engines of vehicles being refuelled. Since a trace amount of petrol vapour is released from petrol dispensers into the environment during vehicle refuelling, these members of the public are worried that these two acts may cause a fire or an explosion, thus endangering public safety. In this connection, will the Government inform this Council:

- (1) of the number of complaints received by the Government in the past three years about the aforesaid two acts, and the follow-up actions taken;
- (2) whether it will step up publicity to appeal to drivers to avoid committing these two acts; and
- (3) whether it will enact legislation to regulate these two acts; if so, of the details; if not, the reasons for that?

Reply:

President,

To ensure public safety, the Fire Services Department (FSD) conducts fire safety risk assessments for petrol filling stations (PFSs). All explosion accidents, including those within PFSs, are caused by the ignition of a sufficient amount of inflammable vapour by sufficient amount of energy at the scene. In order to prevent such a situation from occurring, FSD puts in place relevant fire safety requirements when considering applications for the operation of PFSs, so as to ensure that there will be no leakage from the petrol filling system and prevent the accumulation of energy to a dangerous level within the areas of PFSs.

My response to the various parts of the Hon Frankie Yick's question is as follows:

- (1) According to records, in the past three years, FSD did not receive any complaints against the use of mobile phones within the areas of PFSs or drivers failing to switch off the engines of vehicles being refuelled.

(2) and (3) Currently, FSD regulates the fire safety of PFSs through the licensing regime under the Dangerous Goods Ordinance (Cap. 295). FSD conducts fire safety risk assessments for PFSs and puts in place relevant fire safety requirements, including putting up "Switch Off Engine" warning signs at conspicuous locations in PFSs and requiring the staff of PFSs to request drivers to switch off their vehicle engines before refuelling. In addition, FSD conducts surprise inspections. If managers of PFSs are found to be in breach of relevant fire safety requirements, FSD will consider prosecution. The maximum penalty upon conviction is a fine of \$10,000 and imprisonment for one month. The relevant dangerous goods licences of the PFS concerned may also be revoked.

According to FSD's assessment, given that the maximum amount of energy generated by a mobile phone is far lower than the ignition threshold of petrol vapour, the fire risk is relatively low. Having said that, in view of the variety of mobile phones and the constant emergence of new models, for the sake of prevention, FSD proposes putting up notices at conspicuous locations in PFSs to urge members of the public to avoid using mobile phones within PFSs. FSD will continue to monitor closely studies on the safety of using mobile phones and conduct reviews where necessary.

FSD has been reminding the oil industry through regular meetings to comply with the fire safety requirements, including that managers of PFSs should make sure that drivers have switched off the engines of the vehicles before refuelling. Managers should also avoid letting members of the public use mobile phones within PFSs. Moreover, FSD conducts surprise inspections and distributes fire safety leaflets at PFSs to enhance the fire safety awareness of the industry. Contents of the leaflets include reminding managers that no parking is allowed within PFSs, that drivers must switch off the engines of vehicles being refuelled, and that no smoking is allowed within PFSs etc.

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## **LCQ15: "One-for-One Replacement"** **Scheme**

Following is a question by the Hon Tanya Chan and a written reply by the Secretary for the Environment, Mr Wong Kam-sing, in the Legislative Council today (October 24):

Question:

On February 28 this year, the Government introduced a "One-for-One Replacement" Scheme (Replacement Scheme) under which a vehicle owner who scraps his old private car (PC) and buy a new electric PC (e-PC) may enjoy a

higher first registration tax concession. The application criteria include: (a) that the old PC having been first registered for six years or more (the vehicle age requirement) and (b) that the applicant having been the registered owner of that vehicle for three years or more without interruption (the ownership period requirement), etc. Some environmentalists have criticised that the above criteria are stringent, which, coupled with the grossly inadequacy in public charging facilities for electric vehicles (EVs), have impeded the popularisation of EVs in Hong Kong. In this connection, will the Government inform this Council:

- (1) of (i) the end-of-month number of registered PCs, and (ii) the number of newly registered e-PCs, in each month from March to September this year;
- (2) of the respective (i) monthly and (ii) up-to-date numbers of applications for tax concession received and approved by the authorities since the launch of the Replacement Scheme;
- (3) of the respective numbers of registered PCs, as at March 31 this year, which (i) satisfied the two aforesaid application criteria, and (ii) met the vehicle age requirement and were owned by the existing owners for one year or more; the relevant projected numbers for the coming three years;
- (4) whether the authorities will lower the ownership period requirement to one year so as to expand the scope of the Replacement Scheme; if so, when this will be implemented; if not, of the reasons for that;
- (5) how the authorities publicise the Replacement Scheme and the amount of public expenditure incurred to date;
- (6) whether it knows the total numbers of (i) standard, (ii) medium and (iii) quick public EV chargers as at October 1 this year throughout the territory, with a breakdown by District Council district;
- (7) whether it has studied the appropriate ratio of the number of EVs to that of public chargers; if so, of the study outcome; if not, whether it will expeditiously commence such a study; and
- (8) whether it will regularly publish reports on the work of the Steering Committee on the Promotion of Electric Vehicles to enable members of the public to monitor the Committee's work and the effectiveness thereof; if so, of the details; if not, the reasons for that, and the measures the authorities will take to enhance the transparency of the operation of the Committee?

Reply:

President,

Commercial vehicles (CVs) account for 95 per cent of the vehicular emissions of respirable suspended particulates and nitrogen oxides, both of which are major air pollutants. CVs have thus been a major target of the Government's measures to improve roadside air quality. As electric vehicles (EVs) have no tailpipe emissions, replacing conventional vehicles, especially

CVs, with EVs can help improve roadside air quality.

The Government has all along been committed to promoting the use of electric CVs (e-CVs). Measures taken include waiving the first registration tax (FRT) of e-CVs in full since 1994; putting in place since March 2011 a \$300 million Pilot Green Transport Fund to support the transport sector to try out green innovative transport technologies (including e-CVs); and subsidising franchised bus companies to test out electric buses.

As for electric private cars (e-PCs), the Government's standing policy is to encourage the public to use public transport as far as possible. For members of the public who need to acquire private cars (PCs), we provide them with appropriate financial incentives such as tax concession and lower annual vehicle licence fee to encourage them to choose e-PCs.

When drawing up the FRT concessions for e-PCs, the Government considered that while the FRT would continue to be a means of controlling the overall growth of PCs to avoid causing traffic congestion and aggravating roadside air pollution, FRT concessions could be offered to aptly encourage vehicle buyers to go for EVs when purchasing PCs. Taking due account of these two factors, the technological development and market situation of EVs, as well as road traffic conditions and views of stakeholders, we decided to continue with the FRT concessions of up to \$97,500 for e-PCs from February 28, 2018 to March 31, 2021. For the same period, a new "One-for-One Replacement" Scheme (Replacement Scheme) has also been introduced to allow eligible existing vehicle owners who buy a new e-PC and scrap their own eligible old PC to enjoy a higher FRT concession of up to \$250,000.

My responses to the various parts of the question raised by the Hon Tanya Chan are as follows:

- (1) The end-of-month number of registered PCs and the number of newly registered e-PCs in each month from March to September this year are listed at Annex I.
- (2) The monthly and up-to-date numbers of applications received and approved since the launch of the Replacement Scheme are set out at Annex II.
- (3) Based on the records of registered vehicles as at March 31, 2018 kept by the Transport Department (TD), the respective numbers of registered PCs that satisfied the criteria of "having been first registered for six years or more" and "its owner having own the PC for three years or more without interruption", and that satisfied the criteria of "having been first registered for six years or more" and "its owner having owned the PC for one year or more without interruption", as well as the relevant projected numbers for the coming three years are tabulated at Annex III.
- (4) As mentioned above, on the premises of not increasing the total number of PCs, the Government has introduced the Replacement Scheme to provide existing PC owners with incentive to choose EVs when they need to replace their old PCs. To be eligible for the scheme, a vehicle owner must be the registered owner of an old PC for three years or more without interruption. While this

requirement serves to encourage registered PC owners to opt for EVs when replacing their old PCs, it also prevents people from gathering a large number of old PCs from overseas or second-hand markets to participate in the scheme for profit making. As illustrated in Annex III, by the time the Replacement Scheme ends on March 31, 2021, the total number of PCs meeting the two criteria of "having been first registered for six years or more" and "its owner having owned the PC for three years or more without interruption" will be around 470 000, i.e. about three-fourth of the total number of PCs. At this stage, the Government has no plan to revise the application criteria for the Replacement Scheme.

(5) On promoting the use of EVs and the arrangements for making applications under the Replacement Scheme, details are available at the websites of the Environmental Protection Department (EPD) and the TD for PC owners who are interested. When hosting or attending seminars on promoting the use of EVs, the EPD would publicise the Government's policy on promotion of EVs, including the Replacement Scheme. The TD also assists the EPD in processing applications under the Scheme, with publicity posters on the Scheme not only displayed in all TD Licensing Offices but also distributed to the registered distributors concerned for reference purposes. Both the EPD and TD take up the related work with their existing resources.

(6) Based on the latest statistics, figures on public EV chargers (provided for public use in both government and non-government car parks) as at the end of September 2018 in each of the 18 districts across the territory are set out at Annex IV.

(7) Regarding the charging arrangements for e-PCs, it has always been the Government's policy direction that e-PC owners shall perform daily charging of their e-PCs by using charging facilities at their home, workplaces or other suitable places (including charging facilities provided by e-PC suppliers). Public charging facilities in Hong Kong are supplementary in nature, set up for EVs to top up their batteries at times of occasional needs. They do not serve as daily charging facilities or their alternatives. Potential buyers of e-PCs shall fully consider the daily charging arrangements required and shall not rely on public charging facilities for daily charging of their e-PCs.

The demand for public charging facilities hinges on a number of factors such as the technological development and market situation of e-PCs and charging facilities. It may not be necessary to set a ratio between the number of public charging facilities and that of e-PCs. The report published by the International Council on Clean Transportation in October 2017 also pointed out that there were no universal benchmark for the ratio of the number of EVs to that of public chargers, as the ratio may vary from several times to 25 times in different places. Such figures only serve to reflect the distribution of EVs chargers under different actual circumstances in different places.

In the light of the rapid changes in the usage of EVs, the Government is reviewing various policies and measures on promoting the use of EVs. Our efforts include exploring ways to encourage installation of charging

facilities to tie in with the usage of EVs.

(8) The Steering Committee on the Promotion of Electric Vehicles (the Committee) discusses and advises the Government on strategies and initiatives in promoting the use of EVs. The Committee's meetings are conducted confidentially to encourage frank and open discussion. The Government will consider various factors including the Committee's advice in decision-making and implementation. We have no plan at this stage to disclose the discussion of the Committee.

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## Special traffic arrangements for Halloween at Lan Kwai Fong

Police will implement special traffic arrangements at Lan Kwai Fong, Central on October 26, 27 and 31 to facilitate the public celebrating Halloween.

### Road closure

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The following roads may be closed between 6pm and 6am the following day daily on October 26, 27 and 31:

- D'Aguilar Street between Wyndham Street and Wellington Street;
- Lan Kwai Fong;
- Wing Wah Lane;
- Wo On Lane;
- Wellington Street between Wyndham Street and D'Aguilar Street; and
- On Lan Street.

The following roads may be closed from 7pm to 6am the following day daily on October 26, 27 and 31:

- Stanley Street between D'Aguilar Street and Cochrane Street;
- Wyndham Street between Glenealy and Queen's Road Central;
- D'Aguilar Street between Queen's Road Central and Wellington Street; and
- Wellington Street between D'Aguilar Street and Cochrane Street.

Queen's Road Central between Pedder Street and Pottinger Street may be closed between 7pm on October 31 and 6am the following day.

After completion of traffic diversions, crowds will be directed to queue up along Wellington Street, Pottinger Street, Stanley Street, D'Aguilar Street and Queen's Road Central. The whole of D'Aguilar Street will be closed.

## Suspension of parking spaces

All on-street parking spaces on the following streets will be suspended from 4pm to 6am the following day daily on October 26, 27 and 31:

- Stanley Street near D'Aguilar Street;
- On Lan Street; and
- Wyndham Street between Arbuthnot Road and D'Aguilar Street.

All vehicles found illegally parked within the precinct will be towed away without prior notice, and may subject to multiple ticketing.

Actual implementation of the traffic arrangements will be made depending on traffic and crowd conditions in the area. Motorists are advised to exercise tolerance and patience and take heed of instructions of the Police on site.

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## [Special traffic arrangements for race meeting in Happy Valley](#)

Special traffic arrangements will be implemented in Happy Valley today (October 24). The arrangements will come into effect one and a half hours before the start of the first race and will last until the crowds have dispersed after the race meeting.

### A. Traffic arrangements before the commencement of the first race

#### 1. Road closure

Southbound Wong Nai Chung Road between Queen's Road East and the up-ramp outside Hong Kong Jockey Club (HKJC) will be closed except for vehicles heading for Aberdeen Tunnel.

#### 2. Traffic diversions

- Southbound Wong Nai Chung Road between Village Road and the up-ramp outside HKJC will be re-routed one way northbound;
- Vehicles from eastbound Queen's Road East heading for Wan Chai and Happy Valley will be diverted to turn left to Morrison Hill Road;
- Traffic along southbound Morrison Hill Road heading for Happy Valley will be diverted via Sports Road and Wong Nai Chung Road;
- Traffic along Queen's Road East cannot turn right to Wong Nai Chung Road except for vehicles heading to Aberdeen Tunnel;
- Traffic from Cross Harbour Tunnel heading for Queen's Road East will be diverted via the down-ramp leading from southbound Canal Road flyover to

Morrison Hill Road to turn right at the junction of Wong Nai Chung Road and Queen's Road East; and

– Traffic from Cross Harbour Tunnel heading for Happy Valley or Racecourse will be diverted via the down-ramp leading from southbound Canal Road flyover to Canal Road East, southbound Morrison Hill Road, Sports Road and Wong Nai Chung Road.

## B. Traffic arrangements before the conclusion of race meeting

### 1. Road closure

The following roads will be closed from 35 minutes before the start of the last race:

- The up-ramp on Wong Nai Chung Road outside HKJC leading to Aberdeen Tunnel;
- Southbound Wong Nai Chung Road between Queen's Road East and the up-ramp leading to Aberdeen Tunnel;
- Southbound Wong Nai Chung Road between Village Road and the Public Stands of HKJC;
- Westbound Leighton Road between Wong Nai Chung Road and Canal Road East; and
- Southbound Morrison Hill Road between Leighton Road and Queen's Road East.

In addition, southbound Wong Nai Chung Road between the up-ramp leading to Aberdeen Tunnel and the Public Stands of HKJC will be closed from about 10 minutes before the start of the last race.

### 2. Traffic diversions

The following traffic arrangements will be implemented from 35 minutes before the start of the last race:

- Eastbound Queen's Road East at its junction with Morrison Hill Road will be reduced to one-lane traffic heading for northbound Canal Road flyover;
- Vehicles from Cross Harbour Tunnel heading for Wan Chai will be diverted via the down-ramp leading from Canal Road East, U-turn slip road beneath Canal Road flyover, Canal Road West and Hennessy Road;
- Vehicles from Cross Harbour Tunnel heading for Happy Valley will be diverted via the down-ramp leading from Canal Road East, eastbound Leighton Road and Wong Nai Chung Road;
- Traffic on southbound Morrison Hill Road will be diverted to turn left to eastbound Leighton Road;
- Traffic along southbound Morrison Hill Road heading for Happy Valley will be diverted via eastbound Leighton Road and Wong Nai Chung Road; and
- Traffic along westbound Leighton Road will be diverted to Wong Nai Chung Road.

## C. Learner drivers prohibition

Learner drivers will be prohibited to turn left from Caroline Hill Road to Leighton Road between one and a half hours before the start of the first race and one hour after the last race. In addition, learner drivers will be prohibited from accessing the following roads within the above period of

time:

- Shan Kwong Road between Yik Yam Street and Wong Nai Chung Road;
- Village Road between its upper and lower junctions with Shan Kwong Road;
- Percival Street between Hennessy Road and Leighton Road;
- Canal Road East; and
- The service road leading from Gloucester Road to Canal Road flyover.

#### D. Suspension of parking spaces

Parking spaces on southbound Wong Nai Chung Road between Sports Road and Blue Pool Road will be suspended from 11am to 7pm during day racing, from 4.30pm to 11.59pm during evening racing, and from 5pm to 11.59pm during night racing.

Any vehicles found illegally parked within the precincts of the above affected areas will be towed away without prior notice.

Actual implementation of road closure and traffic diversion will be made by the Police at the time depending on traffic conditions in the areas. Motorists should exercise tolerance and patience, and follow the instructions of Police on site.

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## [Speech by SFST at business luncheon co-organised by Hong Kong Trade Development Council and Hong Kong Economic and Trade Office in Berlin \(English only\)](#)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr James Lau, at the luncheon co-organised by the Hong Kong Trade Development Council and the Hong Kong Economic and Trade Office in Berlin on October 23 (Frankfurt time):

#### Introduction

Good afternoon. I am delighted to join you all today in Frankfurt, the financial capital of the Eurozone. I was last in Germany in January last year, when I attended a G20 seminar and spoke at a panel on inclusive digital finance in Wiesbaden. Today I like to share with you the opportunities offered by Hong Kong, the leading financial centre of Asia.

Hong Kong is a gateway city with unparalleled connectivity to China,

especially the Greater Bay Area near the Pearl River Delta in the south of China. Hong Kong also connects to the many countries in Southeast Asia, and to the economies along the Belt and Road Initiative.

As an international financial centre and a global metropolis for trade and commerce, Hong Kong is the ideal hub for you and your business to seize the opportunities arising from these exciting regional and international developments.

Indeed, Hong Kong's strength as one of the most business friendly economies in the world is well recognised. The 2018 Index of Economic Freedom Report issued by the Washington-based Heritage Foundation ranked Hong Kong as the world's freest economy for 24 consecutive years. The Canada-based Fraser Institute has also ranked us first in economic freedom since 1996.

Hong Kong ranked second in the 2018 World Competitiveness Rankings published by IMD, the International Institute for Management Development based in Lausanne. Hong Kong was also ranked seventh among 140 economies in the World Economic Forum's Global Competitiveness Report. Among the 12 pillars of this ranking, Hong Kong obtained the top rank in "Macroeconomic stability" and "Health", and second in "Infrastructure", "ICT adoption", "Product market" and "Financial system". These top scores reflect our competitive edges but we will also seek to improve on our competitiveness.

Hong Kong offers an internationally competitive tax regime, with companies paying no more than 16.5 per cent profits tax. In fact, this year we introduced a new two-tier tax system with 50 per cent tax concession on the first 220,000 euro of profits i.e. only 8.25 per cent. There is also no inheritance tax, no capital gains tax and no sales tax in Hong Kong.

Since China's resumption of exercise of sovereignty over Hong Kong in 1997, Hong Kong has functioned well under the principle of "one country, two systems". We have continued to thrive, flourish and participate in China's spectacular economic growth, while also maintaining our openness and connectivity, our rule of law, our status as a global financial centre, and our role as an international trade and logistics hub.

Our legal system is based on the common law. But we are unique in that our legislation is enacted in both English and Chinese, and both versions are equally authentic. This bilingual legal system suits both foreign enterprises and Chinese enterprises as they would feel more at home when operating in their own language.

## Greater Bay Area

Now let me begin by talking about the Greater Bay Area in the south of China. This represents a huge market spread over 9 cities in Guangdong Province plus Hong Kong and Macau. In Europe, Germany is the only country that has a population larger than that of 70 million in the Greater Bay Area. The GDP of the Greater Bay Area is currently around US\$1.5 trillion, comparable to that of South Korea and larger than Australia.

The essence of the Greater Bay Area initiative is to leverage the comparative advantages of the eleven cities to deepen co-operation, facilitate in-depth and organic integration, and to drive co-ordinated regional economic development.

Among the major cities in the Greater Bay Area, Hong Kong, as you know, is a global financial centre with a particularly vibrant equity market. In five out of the past nine years, Hong Kong came first in the global initial public offering (IPO) league table. We are also the most international city of China, and this complements other cities in the Greater Bay Area such as Shenzhen.

Shenzhen is ranked first by the California-based Milken Institute for economic performance among 34 first-tier and second-tier cities in Mainland China. Shenzhen is a leading innovation and technology centre where the new economy accounts for 38 per cent of its GDP, encompassing information technology, high-tech equipment manufacturing, green technology, and more.

Shenzhen is also home to familiar tech giants like Tencent and Huawei, as well as a good number of rising start-ups. Often called "the new Silicon Valley", Shenzhen spends over 4 per cent of its GDP on research and development, and its companies file more international patents than those in France or Britain.

Aside from Shenzhen, four other cities in the Greater Bay Area form a high-tech industrial belt, with expertise in artificial intelligence and robotics, software, integrated circuit design, mobile network, smart power grid equipment, bio-medicals, video gaming and industrial design.

In terms of physical connectivity, the Hong Kong section of the Guangdong-Shenzhen-Hong Kong High Speed Rail started service on September 23 this year. China's high speed rail network covers over 25 000 km, accounting for about two-thirds of the world's high speed rail tracks in commercial use. The 26 km section in Hong Kong links up with the rest of China and provides high speed and quality travel to complement air transport.

In addition, the Hong Kong-Zhuhai-Macao Bridge set to open tomorrow (October 24 Hong Kong time) will shorten the travel time between Hong Kong and the western part of Guangdong from four hours to only 45 minutes. The bridge spans 55 km, so you can actually organise a marathon event over there!

In terms of Hong Kong Government's policy focus for the Greater Bay Area, we are working with the Mainland government to foster freer flow of people, goods, capital and information through policy innovation. This will be implemented through measures that facilitate Hong Kong people to study, work or start their own business in the area.

Innovation is a key driver for developments in the Greater Bay Area. In Hong Kong, we are currently developing an 87 hectare Hong Kong-Shenzhen Innovation and Technology Park, with the goal of attracting top-tier enterprises, research institutions and higher education institutes from both sides of the Shenzhen River as well as those across the globe.

Authorities in Hong Kong and Shenzhen have signed an agreement to strengthen fintech co-operation between the two cities. They are working with Cyberport, which is a government-backed "creative digital community" in Hong Kong, to explore the feasibility of establishing cross-border soft landing facilities in Shenzhen, encouraging Hong Kong fintech firms to expand their business to the Mainland, and Mainland firms to establish themselves in Hong Kong.

In fact, the Hong Kong Fintech Week, which is opening next week, will include a day in Shenzhen, probably making it the first cross-boundary Fintech Week in the world.

## Southeast Asia

Now let me turn to Southeast Asia, which is my second theme. While the Greater Bay Area no doubt presents extremely exciting opportunities, Hong Kong is also an ideal launch pad for German companies seeking to expand into Southeast Asia.

Indeed, Hong Kong enjoys close economic and trade relations with the ten ASEAN economies, and this is set to be further strengthened through a bilateral Free Trade Agreement and Investment Agreement signed in November 2017 and expected to enter into force in January 2019 at the earliest.

The Agreements are comprehensive in scope, encompassing trade in goods, trade in services, investment, economic and technical co-operation, dispute settlement mechanism and other related areas.

On trade in goods, the ASEAN Member States have agreed to eliminate or reduce their customs duties on all goods originating from Hong Kong. This covers different kinds of commodities, including watches and clocks, jewelry, articles of apparel and clothing accessories, toys, electrical machinery and equipment.

On trade in services, the Free Trade Agreement opens the doors for service sectors in Hong Kong to leverage their competitive advantages to expand into ASEAN. The service sectors that could benefit include professional services, business services, telecommunication services, construction and related engineering services, educational services, financial services, tourism and travel related services, transport services, and arbitration services.

Another important measure is the facilitation of entry and stay for business purposes. For example, Hong Kong business visitors will be able to stay up to 90 days in individual ASEAN markets. Furthermore, measures for investment protection mean that there will be fair treatment of Hong Kong investments and enhanced protection against non-commercial risks.

Last but not least, Hong Kong and ASEAN agreed to include the Economic and Technical Co-operation Chapter under the Free Trade Agreement, with plans to pursue projects in five priority areas, including customs co-operation, professional services, small and medium enterprises co-operation, trade

facilitation and logistics, and e-commerce co-operation.

We expect that the trade and economic activities between Hong Kong and ASEAN will multiply much more after the Agreements come into force. So there will be more business opportunities for German firms operating in Hong Kong.

### Belt and Road Initiative

My third theme is the Belt and Road Initiative that includes economies along the Silk Road Economic Belt and 21st Century Maritime Silk Road. The initiative accounts for 65 per cent of the world's population, one third of world GDP and one quarter of movement in goods and services globally, representing a large market with huge potential.

The Belt and Road Initiative aims to increase co-operation and integration through trade in goods, movement of capital and interaction among peoples. The goal is to build an inclusive and balanced co-operation framework that delivers benefits for all. As the leading financial hub in Asia, Hong Kong's experience, expertise and international outlook enable us to be a pre-eminent centre to service the diverse economies and their funding needs.

To begin with, Hong Kong can be a hub that connects regional and international stakeholders in infrastructure investments. According to the Asian Development Bank, as much as US\$1.7 trillion a year will need to be invested in infrastructure in Asia until 2030. The Asian Infrastructure Investment Bank (AIIB) puts the estimate at an even higher figure of US\$2.7 trillion per year.

Incidentally, Germany is an active member and supporter of the AIIB. Frankfurt in fact hosted in September 2015 a meeting of the chief negotiators that prepared for the establishment of the AIIB. And I was present as the Hong Kong representative.

Now, in order to give impetus to facilitate infrastructure investments and their financing, our central bank and banking regulator the Hong Kong Monetary Authority set up in July 2016 an Infrastructure Financing Facilitation Office. Around 90 key stakeholders, including multilateral development banks, financiers, pension funds, insurance companies, commercial banks, infrastructure developers, as well as professional services firms, have joined as partners.

In addition, in September last year, the Hong Kong Monetary Authority signed an agreement with the International Finance Corporation (IFC) of the World Bank Group, committing up to US\$1 billion to the Managed Co-Lending Portfolio Program with the IFC for investment in infrastructure projects globally.

Another area where Hong Kong can play a major role is as the preferred location for corporate treasury centres. Corporations expanding into the economies along the Belt and Road will face a complex operating environment, including the challenges of multiple currencies and interest rate

fluctuations. A need may arise to set up a corporate treasury centre to centralise financing, liquidity and risk management. Mainland enterprises have been showing increasing interest in setting up in Hong Kong.

Hong Kong's world-class financial infrastructure, availability of professional services and deep pool of financial talents makes us an ideal place for the setting up of a corporate treasury centre. What's more, our legislature passed a law providing tax concessions for corporate treasury centres, which are taxed at only 8.25 per cent on their qualifying profits.

Finally, Hong Kong is the largest offshore renminbi centre, managing over 70 per cent of global offshore Renminbi payments. The renminbi is a potential currency of choice for the financing of Belt and Road projects, and Hong Kong has a wealth of RMB denominated products for financial transactions and risk management.

Importers and exporters in Belt and Road countries can settle their trade in Renminbi in our Real Time Gross Settlement payment system with more than 200 participating banks from all over the world. Investors in Belt and Road projects can tap our Renminbi liquidity through bank loans or so called "dim sum" bond issuance. They can also invest their surplus Renminbi liquidity in a wide range of Renminbi products available here in Hong Kong.

#### Hong Kong as a Welcoming Place for German Businesses

Now, having described Hong Kong's unique role as a gateway city to the Greater Bay Area, Southeast Asia and the economies along the Belt and Road, I would like to emphasise again our global outlook, international connections and cosmopolitan setting, such that Hong Kong is a welcoming place for German businesses, German institutes and German professionals.

Currently there are over 8 700 overseas and Mainland companies in Hong Kong. For German companies specifically, there are over 80 regional headquarters, 140 regional offices and 150 local offices in Hong Kong. Let me share with you a few recent initiatives by German companies in Hong Kong.

First, Siemens opened a Smart City Digital Hub in Hong Kong in December last year, in collaboration with the Hong Kong Science Park. The Hub is powered by Siemens' cloud-based Internet of Things operating system and is designed as an open lab that enables research and development in data analytics, smart building, smart energy and smart mobility.

My second example is about Lufthansa, which has in Hong Kong a wholly owned subsidiary Lufthansa Technik that provides aircraft maintenance services. Lufthansa Technik set up a regional hub for its component business unit in Hong Kong in 2016. Aside from the ease of doing business and our unrivalled geographical location, the company chose to set up in Hong Kong because of proximity to an existing repair facility in Shenzhen.

In news and media, your media giant Burda International set up in Hong Kong in 2011, launching a celebrity and luxury lifestyle monthly magazine in the city, which is just one of the close to 540 titles that it owns around

the world. For Burda International, Hong Kong is a priority market through which they can expand into Southeast Asian markets.

In professional services, Frankfurt-based law firm CMS opened an office in Hong Kong in September 2016 focusing on International Arbitration and Finance. Citing the infrastructure projects in the Belt and Road initiative as an opportunity, the law firm leverages Hong Kong's status as a leading international arbitration hub.

Finally, in research and development, two top German institutes, namely the Fraunhofer Institute for Production Technology and the RWTH Aachen Campus, embarked on their first overseas venture this month by opening a new centre in Hong Kong. By teaming up with our government-backed Hong Kong Productivity Council, they hope that the centre will be a springboard for co-operation with Mainland China in innovation and technology.

## Conclusion

Ladies and gentlemen, I hope I have illustrated for you Hong Kong's unique role as a gateway city to Mainland China, Southeast Asia as well as the economies along the Belt and Road. I encourage all of you to seize the abundant opportunities in the East, and I assure you that you will find yourself in good company with fellow Germans as well as other expatriates in our inclusive and international community. Thank you.