

SFST's speech at 25A Business Conference in Kuala Lumpur, Malaysia (English only)

Following is the video keynote speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the 25A Business Conference in Kuala Lumpur, Malaysia, this morning (May 27):

Distinguished guests, ladies and gentlemen,

Selamat pagi (good morning). It's my great pleasure to greet you all. I would like to welcome you to today's business conference in celebration of the 25th anniversary of the establishment of the Hong Kong Special Administrative Region (SAR).

My thanks to the Ministry of International Trade and Industry, Malaysia, and our Economic and Trade Office for organising this business conference, and to the Financial Services Development Council, Hong Kong, and the Hong Kong Trade Development Council as co-organisers. I am also glad to learn that Invest Hong Kong, Malaysia Digital Economy Corporation, the Associated Chinese Chambers of Commerce and Industry of Malaysia, Kuala Lumpur Malay Chamber of Commerce, Shipping Association of Malaysia, SME Association of Malaysia, SME Klang, Hong Kong-Malaysia Business Association and Hong Kong Tourism Board are all our supporting organisations to this high-level business conference.

This year, 2022, marks the 25th anniversary of the establishment of the Hong Kong SAR. Hong Kong has made considerable progress since reunification with our motherland 25 years ago. The "one country, two systems" framework and the Basic Law buttress Hong Kong's continuous success and prosperity, underpinned by an open and free market, an efficient and clean public sector, a robust institutional framework, freedom of speech and travel, free movement of goods and capital, a simple and low tax regime, a deep pool of multicultural and talented businessmen and professionals, as well as a fine tradition of rule of law and an independent judiciary.

There are long-established close bilateral trade and economic relations between Hong Kong and Malaysia. In 2021, Malaysia was Hong Kong's ninth largest trading partner in goods, and ranked third largest amongst member states of the Association of Southeast Asian Nations (ASEAN). The average annual growth rate in bilateral trade between Hong Kong and Malaysia from 2017 to 2021 was close to 10 per cent.

Meanwhile, Hong Kong was Malaysia's seventh largest trading partner in 2021, fourth largest export market, and also a conduit for trade between Malaysia and the Mainland of China. In 2021, over 10 per cent of the total trade between Malaysia and the Mainland was routed through Hong Kong.

Hong Kong also signed the avoidance of double taxation agreement with Malaysia in 2012, which has further encouraged the flow of investment and talent between our two jurisdictions.

Strong bilateral relations are in fact ubiquitous in multiple dimensions, including at the senior government-to-government level. In addition, there have all along been frequent exchanges between the business communities and professional sectors from the two places to seek co-operation opportunities.

A highlight of our bilateral co-operation potential is Islamic finance. Malaysia's Islamic capital market was valued at 2.31 trillion ringgit in end-2021, accounting for almost more than 65 per cent of the total capital market. Also, Malaysia issued the world's first green Islamic bond in 2017. On Hong Kong's side, there have been an array of Islamic financial products and services introduced, such as the listing of global sukuk, Islamic funds, and Islamic banking windows. Three sukuks have also been issued under the Government Bond Programme, demonstrating the strengths of our Islamic finance platform. Synergies and opportunities between Malaysia and Hong Kong on the relevant fronts abound.

Despite the pandemic, we see an encouraging sign between Hong Kong and ASEAN, with a growth of more than 20 per cent in trade in goods amounting to US\$133 billion in 2021. In fact, ASEAN has been our second largest trading partner since 2010. Continued growth in these trying times does carry a significant meaning to all of us.

Besides, we have very close investment relations. At end-2020, ASEAN was Hong Kong's sixth largest source of external investment, while ASEAN was the fourth largest destination of Hong Kong's outward direct investment. We share common interests to consolidate our partnership and prepare for prosperity by leaps and bounds.

We attach great importance to maintaining and furthering this well-treasured relationship. With three Economic and Trade Offices in the region, our presence in ASEAN is on par with that in other important trading partners like the United States and the European Union, demonstrating our commitment to working ever more closely with ASEAN.

The pandemic has brought about unprecedented challenges to all of us. It is now high time to turn to a new chapter with full strength. Hong Kong stands ready to join hands with ASEAN and contribute to the economic recovery in the region with all our strength. Malaysia, being at the central location of the region, is undoubtedly a main gateway to reap the region's tremendous development potentials and benefits.

At the same time, Hong Kong will continue to serve as a prime platform and key link for ASEAN members, including Malaysia, to expand their economic footprints and connections with other parts of the world. Malaysian businesses and entrepreneurs will continue to find Hong Kong a first-class location to seek out new markets and to embark on new business and investment ventures.

The Belt and Road (B&R) Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) are presenting tremendous opportunities for both ASEAN including Malaysia and Hong Kong. All ASEAN member states are economies along the B&R. Hong Kong is strategically located in the GBA as well. Our city is one of the choicest locations to tap into such potentials.

I would like to take this opportunity to congratulate ASEAN that the Regional Comprehensive Economic Partnership (RCEP) Agreement entered into force on January 1, 2022. This landmark achievement demonstrates RCEP participating economies' commitment to an open, inclusive and rules-based trade and investment arrangement, and brings economic integration of the region to a much higher level. We look forward to joining the RCEP at the earliest opportunity, and are grateful for the clear support that we have received. With ASEAN including Malaysia and Hong Kong sharing a high degree of complementarity and an outward-looking economic vision, I am sure that there will continue to be tremendous room of growth between our two places and also in the greater ASEAN arena.

Meanwhile, with the support and leveraging of the Central Government's policies in support of Hong Kong, there are numerous major initiatives offering further impetus to economic development. I believe that our friends here in Malaysia would be as enthusiastic about the tremendous potentials in Hong Kong as we are, and would thus like to share them with you all.

For one, a HK\$5 billion Strategic Tech Fund will be set up under the Hong Kong Growth Portfolio to invest in tech enterprises and projects of strategic value, and another HK\$10 billion will be earmarked to further promote the development of life and health technology. Our Government will also encourage testing of new ideas for the fintech sector. We launched a Fintech Proof-of-Concept Subsidy Scheme last year to encourage financial institutions to partner with our fintech companies such that they can put forth innovative and practical fintech products and services. The scheme was well received by the industry, with approved projects ranging from the fields of wealthtech, regtech, insurtech and payment systems to cross-boundary data analysis and remittances, etc. We will soon allocate another HK\$10 million for launching a new round of the subsidy scheme.

We also seek to balance both development and regulation for the fintech sector. It is clear that trading in the virtual world has blossomed in recent years, and it is widely recognised that virtual assets, for all their potentials, should be properly regulated for investor protection, financial stability and long-term sustainable development. To achieve these goals, we are introducing a licensing regime for virtual asset service providers, with a view to fostering the development and adoption of financial innovation in a proper and orderly manner.

Alongside fintech, we also seek to capture other emerging opportunities in the financial services sector, and they will also provide further room for co-operation between Hong Kong and ASEAN. As the world move towards the goal to develop in a low-carbon and sustainable manner, green and sustainable finance is high on our policy agenda, as we can leverage Hong Kong's strengths as an international financial centre to do good for the real

economy.

The Hong Kong Government has indeed taken the lead to promote the development of our green finance market, and set an example of utilising the bond market to finance green transitions. A total of over US\$7 billion worth of green bonds has been successfully issued since May 2019 by our Government under the Hong Kong Government Green Bond Programme, and the proceeds have been used to finance public works projects relating to green initiatives and sustainability.

The issuance of Hong Kong government green bonds has all along been very well received by international investors. This year, we will continue to issue green bonds totalling about US\$4.5 billion or equivalent. A retail tranche offering was also open for subscription last month which aims to provide an opportunity for the public to directly contribute to greening Hong Kong and share the fruits of sustainable development through participating in the green and sustainable finance market.

To attract more green and sustainable bond issuers and borrowers to use Hong Kong's fundraising platform and professional services, we launched a three-year Green and Sustainable Finance Grant Scheme in May last year to provide a subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. We wish to encourage more financial institutions, professional service providers and external reviewers to set up and expand businesses in Hong Kong, with a view to building a holistic ecosystem for green and sustainable finance. As of April this year, over 60 applications were approved under the scheme, covering various types of green and sustainable debt instruments.

There is of course much more to talk about when it comes to the opportunities offered by Hong Kong to ASEAN, and we will put our greatest efforts into strengthening our ties and co-operation with ASEAN on the front of financial services. Our initiatives also include enhancing our listing regime and expanding our role as an offshore Renminbi centre. We will review our listing regime to meet the fundraising needs of tech enterprises, and provide tax concessions to attract family offices to set up in Hong Kong, etc. Our connecting role at the intersection of Mainland's domestic and international circulations offers investors with excellent market access. In particular, Hong Kong offers Malaysia unparalleled advantages for venturing into the GBA and the broader Mainland market.

There is indeed so much exciting development ahead of us, and the aforesaid is largely a glimpse of the substantial opportunities available in Hong Kong for ASEAN including Malaysia.

ASEAN is definitely a major growth engine and driving force for the global economy. Partnership is the key. We treasure greatly our long-standing relations with Malaysia and look forward to further promoting and strengthening our trade and economic ties in the years ahead.

I am confident that this business conference would help further consolidate our strong collaboration. Key stakeholders from the business

communities are going to exchange ideas and insights on how Hong Kong and Malaysia can deepen co-operation in terms of businesses, industries and professional services, as we are all embarking on endeavours to capture business opportunities on the horizon.

I wish every success for this business conference. Thank you. Terima kasih.