

Speech by CE at Joint Business Community Luncheon (English only) (with photos/video)

Following is the speech and transcript of the question and answer session by the Chief Executive, Mrs Carrie Lam, at the Joint Business Community Luncheon today (November 2):

Thank you very much Connie (Vice-Chairman of the Chinese General Chamber of Commerce, Hong Kong, Ms Connie Wong) for the introduction. Distinguished leaders of chambers in Hong Kong, whether it is local, international or a Mainland chamber, distinguished consuls-general (CGs),

Thank you very much for once again inviting me to attend this annual joint-business luncheon after the Policy Address. This has been a tradition that has continued since 1997, and I think it is indeed a very good tradition for a joint-business occasion for the Chief Executive to give an account of his or her vision about Hong Kong's future. I hope this convention or tradition will continue for many, many years to come, despite sometimes, we might be in bad times just like the last two years, but this event has gone on uninterrupted, whether physical or online.

The 2021 Policy Address was delivered exactly four weeks ago. If you ask me, this Policy Address, which is entitled "Building a Bright Future Together", what is the buzzword in this Policy Address? It is this word: new, n-e-w, new. I have given an account of Hong Kong entering a new era (新時代). I have briefly mentioned that we will shortly welcome a Legislative Council based on a new electoral system. And then we will be performing, or governing, with a new paradigm (新範疇). There will be new impetus to Hong Kong's economy (新動力) and we can all welcome a new future (新未來). In practice, we shortly will welcome a new Legislative Council after the election on December 19. This seventh Legislative Council will take office from January 1 next year, and after another election on March 27 next year, the sixth-term Chief Executive will be elected and take office on July 1 next year.

With all these new things, new ideas and new scenarios, it is incumbent upon the current Hong Kong SAR Government to also give people this freshness in governance and also this innovation in taking Hong Kong forward. One of the initiatives that have been talked most after the Policy Address, which was touched upon by Connie, is the Northern Metropolis. I have explained at length the Northern Metropolis, which I'm not going to repeat it here but if you want to ask me questions thereafter, I'm happy to respond.

How do we devise this Northern Metropolis Development Strategy? It was also guided by the following new features. One is a new spatial conceptualisation (新空間概念). We are looking beyond Hong Kong's geographical spatial layout into Shenzhen, the Greater Bay Area and also the

Mainland of China. It also displays a new mindset breakthrough (è\$€âíµæ>´æ-°). It contains a large number of new policy formulation (æ"¿ç-â%µæ-°) and then we will shortly be putting in place a new institutional arrangement (æÖÿâ^¶é@æ-°). All these four attributes of new innovation are interrelated. In other words, we could not just have a new spatial conceptualisation without having a new mindset in working and co-operating with the Mainland authorities. We could not have new policies without a new institutional arrangement to ensure that we could implement all these new initiatives. I hope that in future when you look at the Hong Kong SAR Government policies, you will appreciate that all these new concepts have seeped through the various things that we want to do for Hong Kong.

In the past four weeks, including two weeks when I was being incapacitated, I have been promoting this Policy Address on many, many occasions. And if you want me to give you a buzzword of the messages that I am sending out about Hong Kong's future, it is this word: confidence. I am extremely confident about Hong Kong's future and this confidence is built on a very solid basis. It's not just wishful thinking or the way that I try to appease people that "let's be confident". It is built on very strong fundamentals and I will take you through these four aspects one by one.

One is we have restored Hong Kong SAR's constitutional order. We have not only restored this order and brought it back to the right track of "One Country, Two Systems", I would boldly say that perhaps this is the first time since 1997 that we can deliver "One Country, Two Systems" confidently for the people of China, not only for the people of Hong Kong. This outcome is attributed to two decisive acts by the Central Authorities. The enactment and implementation of the National Security Law on June 30 last year, and by the way I must stress again, the National Security Law is not just about punishing people who have committed national security crimes, it is also about preventing and suppressing acts or activities that will endanger national security.

The second decisive act is the electoral arrangements, amendments to Annex I and Annex II of the Basic Law, which will usher in a new Legislative Council, which I'm quite certain will be far more rational, far more pragmatic and governed by people who are patriotic. But that doesn't mean that we are going to have one voice in the Legislative Council, ä, @æ~ä, €è"€â ,. We are looking for inclusiveness. So as long as any person who is patriotic and who could pass the scrutiny by the Candidate Eligibility Review Committee, he or she are more than welcome to join in this election because of the importance we attach to inclusiveness, diversity. We'd love to see the Legislative Council together with the Executive to strive to build consensus. We can agree to disagree on some of the things but at the end of the day we need to move forward. For example, the Government introduced half a year ago a piece of legislation to amend the Medical Registration Ordinance in order to bring in non-locally trained doctors. This bill was now passed but it has been subject to very extensive amendments in order to reflect the opinion of the Legislative Council members, which in turn, I believe, reflect the community aspirations that we should be even more open, even more innovative in bringing in non-locally trained doctors because of the shortage

of medical manpower in Hong Kong, which has been the cause of a lot of complaints by the common people. On this occasion, since we are still in the candidate nomination period, I would urge every one of you for your active participation in this coming election, both in terms of nominating suitable candidates to stand for election, engaging confirmed candidates in the course of their electioneering campaigns – we should ask them questions "What's their manifesto? What's their vision for Hong Kong?" – and finally, on December 19, casting your vote and encouraging your friends and family members and relatives to cast their votes. This is a vote of confidence in Hong Kong's future and Hong Kong's constitutional order.

The second basis of my confidence about Hong Kong's future is that Hong Kong's fundamental strengths have not been weakened or eroded by what has happened in Hong Kong in the last two years or so, particularly the riots in the latter half of 2019 and the enactment of the National Security Law. On the contrary, as a result of all these things that have happened, which were quite unprecedented in Hong Kong's history, many people came to appreciate much better these fundamental strengths of Hong Kong.

First and foremost is the rule of law. The rule of law is as robust as ever, despite a lot of smearing and coercing that overseas judges should no longer sit on the Hong Kong Court of Final Appeal. We actually have seen new judges – I have appointed a new lord of the United Kingdom to become a new judge of the Court of Final Appeal, and at least two serving judges have accepted my invitations to be re-appointed to the Court of Final Appeal. We continue to have a very visible, very transparent and very independent judiciary which has been adjudicating cases including cases on national security without fear or favour. Hong Kong has been made one of the most popular arbitration centres by a UK college. I think we are now the world's No. 3 in being the choice of arbitration centre by corporations.

Hong Kong has regained its position as one of the safest cities in the world according to the latest ranking released by The Economist. We dropped to the world's No. 20 in the aftermath of 2019. We are now back to the world's No. 8. I am sure we could continue to do better with our excellent Police Force. In terms of our financial services, we used to be No. 3 after New York and London, then since the latter half of 2019, we dropped to No. 6 and then gradually, and successively, we regained our third position in the latest index released by the Global Financial Centres Index institutions. In terms of our higher education, despite the fact that many of the students were involved in the riots and the chaotic situation in universities, four or five of Hong Kong's universities are ranked amongst the world's 100, depending on which ranking index you look at. The University of Hong Kong actually rose to being the world's No. 30, which is the highest ranking ever achieved by a Hong Kong university in the past decade.

Fraser Institute continued to rank Hong Kong as the freest economy in the world, in their latest report released earlier this year. And what is even more exciting is, as a recognition of the investment and work done on promoting innovation and technology in Hong Kong, the IMD (Institute for Management Development), which is a Lausanne-based Swiss institution, the IMD World Digital Competitiveness Ranking has put Hong Kong as the world's No. 2,

only after the United States of America. The list will continue as we move on. I'm sure we will regain either some of the things that we have lost as a result of those challenges and even excel in other areas.

The third basis of confidence is hard data. Let's look at some of the hard data to demonstrate how resilient Hong Kong's economy is. The provisional 3rd quarter GDP (Gross Domestic Product) figures were released yesterday. Some said that it was slightly less than expectation – at year-on-year 5.4 per cent, but taking the first three quarters together, Hong Kong fared quite well at a year-on-year growth of 7 per cent, and that's why my economist colleagues were quite optimistic that, on a whole year basis, we probably would be making the high end of the range, which is 5.5 per cent to 6.5 per cent.

In terms of merchandise trade, because of the significant and speedy recovery in the Mainland manufacturing, the merchandise trade actually has broken record. In the first nine months, I think total import and export of goods amounted to \$7,300 billion, which was a two-digit growth over the historic high back in 2018. Assets under management also rose by double digits, air cargo volume registered double-digit growth year on year in the first half of this year; retail figures were also good. Later this afternoon at 4.30pm, the Government will announce the September retail figures and they are good. I could not disclose to you the exact figure, but the figure looks good, partly because of the consumption voucher. Unemployment has dropped from the high point of 7.2 per cent at the beginning of this year to the latest three-month figure of 4.5 per cent. We have seen a lot of job vacancies being advertised in the Labour Department and other forum, suggesting that maybe we are going into a shortage of labour in some of the sectors, for example the F&B sector. Even applications for social security, as a result of unemployment, has dropped by over 50 per cent year on year.

All these figures confirmed that Hong Kong's economy is very resilient, that Hong Kong people are very resilient. When circumstances improve, we will bounce back, and bounce back pretty quickly. Hong Kong people are also very good consumers, if you look at the good business in the F&B sector. Somebody told me that Lan Kwai Fong has never had such good business, not even pre-pandemic, perhaps again on the historic basis. And even horse racing turnover last season broke the record. On the first day of this year's season, at which I officiated, again it was a historic record in terms of turnover.

And finally, Hong Kong athletes have made us so proud in four successive major games, the Tokyo Olympic Games, the Tokyo Paralympics, the National Games and the National Games for Persons with Disabilities. We've fetched so many gold medals. This is Hong Kong. Hong Kong will bounce back. There is absolutely no worry about Hong Kong despite the smearing and bad-mouthing and negative reporting in some quarters.

The fourth and final basis of the confidence is the staunch and unflinching support of the Central Government. And this, I am telling you first-hand, as the Chief Executive of the Hong Kong SAR, whether in bad times or in good times, the Central Government is always our strongest support ever. In March this year, we had the 14th Five-Year Plan promulgated. For the

first time, apart from giving us support in the four traditional economic sectors – that is finance, trading, transportation and legal – for the first time, they said that they will support Hong Kong to become an international innovation and technology hub, an art and cultural exchange hub, IP trading hub in Asia Pacific, and also an international aviation centre. You have all these fact sheets of the eight centres in the folder distributed to you over lunch. On top of that, as the country is moving into the "dual circulation", no place stands better than in Hong Kong in capitalising on this "dual circulation", whether in the domestic economy or as the Mainland economy goes global. We are the bridge, the gateway and the connector, whichever way you call it. We are here to serve the country and also to benefit. On financial services alone, since August this year, we have witnessed the introduction of A-shares trading in Hong Kong, the Southbound Trading under Bond Connect, and the much-awaited GBA Cross-boundary Wealth Management Connect Scheme. And also we welcomed for the first time the issuance of bonds by a municipal government in Hong Kong and that is Shenzhen.

It is against the above backdrop and amidst that confidence that I have for Hong Kong, that I and my colleagues compiled the 2021 Policy Address. I hope this Policy Address is matched with your support and enthusiasm and we will act in concert to make sure that we could deliver this vision for Hong Kong, especially for our younger generation.

Meanwhile, I have no doubt that top on your mind is when we could resume travel with the Mainland and with overseas. I can only assure you that this is also top on my agenda. We are working very hard to achieve this goal and as you notice, we have been introducing measures which many people feel are unjustified. Hong Kong is already "zero infection". Why do you have to do all these things which give us a little bit of trouble and inconvenience? I am sorry – I know some Consuls General are in the audience – I am sorry about that, but we have to do that in order to achieve the goal together. My final appeal is: please help us in promoting, or even mandating the use of the LeaveHomeSafe mobile app when entering your business premises or institutions, and also encourage Hong Kong people, especially elderly people, to take the jab. Thank you very much.

Attendee: Good afternoon, Chief Executive. My name is Gary Lau from the Federation of Hong Kong Industries. First of all, I would like to thank CE for your forward-looking approach in the industrial sectors in the Policy Address, but actually I've got a few questions for you. Lack of the industrial talent is the major challenge for manufacturers in developing the advanced industries. Well, not only in Hong Kong, but also in the Mainland and elsewhere. But in fact, the advanced manufacturing is one of the most promising sectors for the career development and provides a wide spectrum of development opportunities for the young graduates. So, in order to meet the manpower demand, can the Government share with us the plans in promoting applied education, to broaden learning and career pathways for students, especially in expanding the provision of applied degrees in local institutions and strengthening applied education in the secondary school as the preparation for students to pursue their further studies? Thank you.

Chief Executive: Thank you very much, Gary. I was at the General Committee dinner of the Federation of Hong Kong Industries last week, and I said on that occasion that the biggest winner in this 2021 Policy Address is Hong Kong's industry, because the Government really has adopted a new mindset. I want to give praise to the Federation of Hong Kong Industries again for taking that insight to prepare for us a very good report on the way forward for Hong Kong's industries. The new mindset is exactly what you said, that, yes, we are a 90 per cent plus services economy, but if we are serious about science and technology, R&D, we do need some locally based manufacturing capacity. For the first time, of course we have started it a couple of years ago with the re-industrialisation and the construction of the Advanced Manufacturing Centre in Tseung Kwan O and the Microelectronics Centre in Yuen Long, but this time we have made much bigger provision for advanced manufacturing in Hong Kong by creating, in San Tin, the San Tin Technopole with 150 hectares of land, plus a new mindset in disposing of land for advanced manufacturing. In future, if we have decided a particular sector of advanced manufacturing should warrant more proactive government support, like in order to support life sciences we need more pharmaceutical manufacturing, or vaccines or medical diagnostic technology, then the Government could actually sell land by tender – by restricted tender – for that particular use, so that they would not be deterred by the high premium in going for this sort of manufacturing activity.

You are also spot on to point out that the hurdle will be manpower, will be talent, at various levels to support the manufacturing. In the near future, inevitably we will have to rely on some importation of talent, which we are already doing at various levels. At the highest level is this Global STEM Professorship Scheme to bring in full professors from all over the world, and at the middle level we are increasing the number of postgraduate enrolment in the universities, particularly from the Mainland, and providing them with scholarships, fellowships, postdoc subsidy and so on. But at the end of the day, we need to nurture local talents, so promoting STEM education in schools, as well as Applied Learning (AL) at senior secondary, will be something that we will put a lot of attention to.

STEM education has been picking up quite fast, actually. I was in a secondary school this morning where they were attending a series of seminars with talks given by very distinguished scientists from universities. And Applied Learning subjects will be introduced – we have introduced a number of such AL courses last week. I would urge industrialists also to support the nurturing of local talent by giving youngsters more opportunity to visit your plants here, or if travel could be resumed, to bring them to see the factories in the Mainland and maybe offer them what we call industrial attachments, when they are in VTC (Vocational Training Council) or in other institutions. Talent is certainly an area that we need to do more, not only for manufacturing, but also for medical, for finance and even for arts and sports. Thank you very much.

Moderator: Thank you.

Attendee: Jimmy Ng of the Chinese Manufacturers' Association (Chinese Manufacturers' Association of Hong Kong (CMA)). Chief Executive, we fully

support your proposal of expanding the Innovation and Technology Bureau into the Innovation, Technology and Industry Bureau. Could you please share with us a bit more details on the functions of the enhanced bureau, especially its role in enhancing the competitiveness of our traditional manufacturers, both locally and across the border? By the way, the Policy Address has put forward the visionary plan of Northern Metropolis to achieve home-job balance in the northern area. Would the Government consider developing manufacturing industry as one of its major employment drivers which focus on I&T (innovation and technology) commercialisation, pilot plant, small-scale production and advanced manufacturing? Thank you.

Chief Executive: I suppose the organisers deliberately put Jimmy Ng after Gary, because on an occasion in the Legislative Council after Policy Address, I kept on praising the Federation of Hong Kong Industries when Jimmy was asking a question, so he had no choice but to remind me that the CMA also has a very important role to play in Hong Kong's industries. Very much so, very much so.

Why we call the northern part of Hong Kong the Northern Metropolis rather than the NT North – people used to call it the NT North, right? Immediately before the Policy Address, a lot of politicians came out to advocate for this development, they said "æ°ç•ÆåÆ–", "NT North". We said it is not just NT North, it is the Northern Metropolis, which will be on a par with the Victoria Harbour metropolis, the harbourfront metropolis, and with a focus on technology, manufacturing, job creations and so on. In terms of land use and planning, we will put a lot of attention to making sure that this Northern Metropolis will be more self-contained than all the other new towns that we have seen in Hong Kong, because that would make life better for the people, reducing the time to commute. That would help the traffic flow, because at the moment the traffic flow is one direction – morning peak hour north to south, evening peak hour south to north – actually without fully utilising our transport infrastructure. How do we achieve that? One is land use. We will set aside land for innovation and technology, for something like Cyberport in the Lau Fau Shan area, and maybe even for environmental industries and so on. Secondly, is by the Government setting an example. I have declared that we will move some non-location-specific government facilities or government offices to the northern part of Hong Kong, so that they would also create a lot of job opportunities in that area. This is exactly what we will do in order to achieve not only the economic objective but also the broader social objectives.

Beyond land and government policies, we will need to look at what will attract corporations or industries to operate from the north. Proximity with the GBA (Guangdong-Hong Kong-Macao Greater Bay Area), particularly proximity with Shenzhen, is one of the plus factors, and that's why in terms of transport infrastructure connectivity, five of the rail projects announced in the Northern Metropolis, three of them have a cross-border dimension. One is the Hung Shui Kiu to Qianhai rail link, the other is an extension of the East Rail Line into Lo Wu, and the third is the Northern Link spur line via the Lok Ma Chau Loop into Huanggang. That hopefully will impress upon the corporations and companies that it's actually far better to set up their

businesses, offices, whatsoever, in the northern part of the New Territories. Since we are still at the beginning of the development strategy, I will welcome more ideas and inputs from the chambers on what you want to see in the Northern Metropolis, and what you want the Government to roll out in terms of policies or even incentives to ensure that we could deliver that vision for Hong Kong.

Moderator: Thank you.

Attendee: Good afternoon. Herman Hu from the Chinese General Chamber of Commerce. The Hong Kong business community is very eager, looking forward to the resumption of the quarantine-free travel between the Mainland and Hong Kong. I understand that, Chief Executive, you briefly mentioned this point at the end of your speech just now, but we hope that you can give us a better idea on the possible arrangement and plans if everything goes well. Thank you.

Chief Executive: As you know, we had a meeting with the Mainland authorities in September. We are looking forward to another meeting shortly. The Government's stance is very clear. I said it in public many times. In order to resume travel with the Mainland, we will do whatever is possible in order to meet the prerequisites or requirements, so-called creating conditions for the resumption of travel, 我們會盡一切努力。Sometimes people do not fully understand why we introduce some tightening measures. That's because the two systems are different, and we should align as much as possible with the Mainland system, but that, of course, is what is feasible. Sometimes things are not feasible, then I could not force it on our own Hong Kong community. That is the important point, that is the Government's position. It has nothing to do with fears, worries and no courage, and things like that. We are hundred per cent committed to delivering the resumption of travel with the Mainland, and hopefully thereafter with overseas destinations for businesses and the people of Hong Kong.

I could not disclose details that have been under discussion, but I've said in public that, in order to manage public expectation, this resumption will be very gradual. We will not be able to return to pre-COVID-19 overnight. At the moment, we have only opened two cross-border points. One is the Shenzhen Bay, the other is the Hong Kong-Zhuhai-Macao Bridge. We have closed six other control points, plus the Hong Kong-Macau Ferry Terminal. You can imagine that it would take a long time to resume the normal cross-border travel. In order to regulate in a gradual and orderly manner, inevitably when we are able to resume travel, it will be based on categories, prioritisation – who needs to travel first. I'm sure business needs will take precedence over individual tourists. Secondly, it will have to be quota-based in order to control the numbers. And then, thirdly, there will be conditions. Whoever wants to travel, even if you belong to the priority category, even if you manage to get a quota, you have to fulfil certain conditions. And that will be the framework of what is now being discussed.

Attendee: Thank you. Ladies and gentleman, I am Leland Sun, representing the Hong Kong General Chamber of Commerce. As you have touched on many points already, I have had to shift my questions because the other chambers have

done such a good job. We at the Chamber also strongly support, Chief Executive, your n-e-w, your new initiatives in the Policy Address. Many of us here in business are continuing to face increasing demands on ESG (Environmental, Social and Governance), from investors, from suppliers, or from our customers. And you mentioned in your Government's Policy Address that Hong Kong will strive to achieve a net zero (carbon emissions) before 2050. Now, we would like to know if you could give us a bit more specifics on what is the Government doing, to lead by example, and also, what are some of the things that we, as a business community, can work with the Government to achieve that goal by then. As President Xi Jinping has just finished making a speech in Glasgow just the other day, so I thought would be opportune. Thank you.

Chief Executive: Thank you very much Leland. One of the important topics in the Policy Address that, in my view, has not been given sufficient attention is exactly what Leland has referred to, that is climate change. Right now, the COP26 (the 26th UN Climate Change Conference of the Parties) is in progress in Glasgow, and I hope that we will all read more about these climate change challenges and the dire consequences of not doing action now, especially at the global and the concerted level. President Xi Jinping announced last September at the UN Assembly Session that our country will strive to reach peak carbon emission by the year 2030, and then use another 30 years' time to reach carbon zero before 2060. This is, in fact, a very ambitious target, because many parts of the Mainland of China are still developing, they need more energy in order to grow the economy. But even under that sort of very challenging circumstances, President Xi has committed to the whole world, not just an internal target.

As far as Hong Kong is concerned, we are actually at a much better position. Our carbon emission actually peaked in 2014. I pledged last year that we should aim to reach carbon zero before 2050. To achieve that, we have a lot of things to do, and that's why two days after the Policy Address delivery, the Secretary for the Environment revealed a plan called the Hong Kong's Climate Action Plan 2050. If you have time, read that plan. If you don't have a lot of time, read a pamphlet on the Hong Kong's Climate Action Plan 2050.

Hong Kong's carbonisation is basically due to three main sectors, one is electricity generation, which accounts for almost two-thirds, second is transport and then will be waste treatment. Electricity is not too difficult, in my view, because we have a very good arrangement with the two power companies in Hong Kong under the Scheme of Control Agreement. If we want the power companies to switch fuel, we could help them to invest. We are actually bearing the cost of the investment in the infrastructure, this \$6 billion new plant that I opened last week was actually invested by us through the Scheme of Control Agreement, and then translated into electricity tariff. On technology, when will the world come up with the best technology to generate electricity without any carbon emission? We have already phased out coal by a large amount. Now only one quarter of electricity in Hong Kong is generated by coal firing. With more LNG (liquefied natural gas) plants coming on stream, and the bunker ready for LNG to be imported into Hong Kong, phasing

out coal is, again, not too difficult. But LNG is still a fossil fuel, so we need to find an alternative to LNG, maybe hydrogen, or maybe nuclear energy, more nuclear energy from the Mainland, then we will be able to generate electricity without carbon emission. That solves a lot of problems already because with electricity generated without carbon emission, people can use e-vehicles that will not generate carbon. That's why we announced that by the year 2035, we will not register any new cars which is not an e-vehicle. Even hybrids is not acceptable, you have to switch to e-vehicle, or hydro-fuel vehicle by then. And of course, on transport, we could do other things. Meanwhile, I have asked that congestion charging be explored. The franchise bus fleet should also go green. By the way, we just imported the first double-decker e-bus two weeks ago, and you will see it on the street next year.

Waste reduction is very difficult. Waste doesn't account for a lot of emission, maybe 10 per cent or less, but it involves every one of the 7.4-million population to change their habits, in order to reduce waste. We will continue to build the waste-to-energy facilities after the incinerator on Shek Kwu Chau. But we need you to change your habits to reduce waste, recycle, and so on. Let's put our acts together and try to help to achieve carbon zero by the year 2050, because the consequences of not doing anything, or not doing anything decisively now, could be disastrous.

Thank you.

