

Speech by FS at Albilad CSOP MSCI Hong Kong China Equity ETF Listing Ceremony in Riyadh (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Albilad CSOP MSCI Hong Kong China Equity ETF (exchange-traded fund) Listing Ceremony in Riyadh, Saudi Arabia, today (October 30):

Mr Chang Hua (Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to the Kingdom of Saudi Arabia), Khalid Abdullah Al-Hussan (Chairman of the Board of Directors of the Saudi Exchange), Mr Mohammed Al-Rumaih (CEO of the Saudi Exchange), Mr Nasser AlSubaiei (Chairman of the Board of Directors for Bank Albilad), His Excellency Mr Ihsan Bafakih (Chairman of the Board for Albilad Capital), Ms Ding Chen (CEO, CSOP Asset Management Limited), distinguished guests, ladies and gentlemen,

Good morning. Great pleasure to be here today to mark, and to celebrate, the Albilad CSOP ETF listing on the Saudi Exchange.

My heartiest congratulations to Albilad, CSOP and the Saudi Tadawul for this landmark listing. And my deep appreciation to each and every party who helped make this, yet another, Hong Kong-Saudi collaboration a ringing reality.

As President Xi Jinping emphasised at the first China-Gulf Cooperation Council Summit last December, financial and investment co-operation plays a vital role in boosting ties between China and the Middle East. It fits well into the vision of China's Belt and Road Initiative and Saudi Arabia's Vision 2030.

Hong Kong's capital market, with our mutual-access arrangements with Mainland China covering stocks, bonds, ETFs and derivatives, is best placed to help drive this progress.

Indeed, since we established Stock Connect in 2014, Mainland outbound net fund flows to Hong Kong, through the Southbound Connect, have totalled some US\$420 billion.

Meanwhile, the Northbound Connect is an important avenue for international investors to access the Mainland market. Seventy per cent of the A-shares held by international investors were acquired via this channel.

This unique connectivity Hong Kong enjoys is increasingly recognised and favoured by investors. Last November, Asia's first ETF tracking the Saudi Arabia market was listed on the Hong Kong Stock Exchange, enabling Asian investors to share in the vast opportunities Saudi Arabia and the Middle East promise.

Today's ETF is a reciprocal arrangement, completing the conduit for a

two-way capital flow between Hong Kong and Saudi Arabia. The ETF's initial size, at US\$1.3 billion, becomes the largest in the Middle East.

The significance of this listing comes on multiple levels. As a Sharia-compliant product, the new ETF gives Saudi and Middle East investors direct access to the Hong Kong stock market, offering diversified exposure to and investment opportunities in high-growth sectors in Hong Kong and Mainland China.

And since it feeds into an ETF listed in Hong Kong keeping track of the top 30 Hong Kong-listed stocks eligible for Southbound Connect, this means it will benefit from investment from the Mainland, too.

Second, the ETF will also help boost a developing ETF market in Saudi Arabia, inspiring more financial innovations in emerging themes and asset classes, thereby helping to attract foreign investments. By doing so, it will contribute to enhancing the Saudi Tadawul's status as the Middle East's leading stock exchange, in full alignment with Vision 2030.

Third, and no less important, it will help diversify Hong Kong's sources of capital, enhance our stock market's liquidity and reinforce our hub role in connecting international financial institutions with their target markets.

Ladies and gentlemen, I'm confident that today's ETF will inspire deeper, more connected, and win-win financial relations between Hong Kong and Saudi Arabia.

And I look forward to more cross-border listings and investment products, enhanced market access and greater collaboration between the two places.

Thank you.