

Speech

Speech by SFST at Business Awards Gala Dinner in Sydney (English only)

Tuesday, July 28, 2015

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Business Awards Gala Dinner hosted by the Hong Kong Australia Business Association (New South Wales Chapter) in Sydney, Australia, today (July 28):

Mr Jonathan Yee, His Excellency Li Huaxin, The Hon Ernest Wong, Mr Mark Coure, distinguished guests, ladies and gentlemen, good evening.

It's great to be here for the annual gala dinner and awards presentation of the Hong Kong Australia Business Association New South Wales Chapter. No less a pleasure to be back in sunny Sydney. And a treat to be here in mid-winter. A little like a full-on plunge into the cool pool after a stew in the sauna that is Hong Kong in mid-summer. Either way, of course, the other's a bracing tonic.

That, ladies and gentlemen, is your trans-Pacific weather report. I'm also here tonight to enjoy your good hospitality and, of course, to congratulate the winners of your prestigious Business Awards and Young Professionals Alliance Award. Since 2000, the awards have recognised New South Wales companies and entrepreneurs enjoying success in boosting trade and business ties between New South Wales and Hong Kong.

Indeed, our bilateral trade over the past 10 years has grown, cumulatively, by more than 33 per cent in Hong Kong dollar terms.

Ties between Australia and Hong Kong have never been stronger. Some 90 000 Australians call Hong Kong home. So, too, do 550 Australian companies. Another 1 000 Australian companies have established representative offices in Hong Kong.

It's certainly not a one-way street. Close to 80 000 people of Hong Kong origin now live in Australia.

I'm sure it sometimes seems that many of them have been students here. Hong Kong people do love to study here - and it's not hard to tell why, given

Australia's education system and your celebrated lifestyle.

It may also have a lot to do with the many things we share. I'm talking about our legal system, which is based on common law, the use of English as an official language and our unwavering belief in diversity, transparency, accountability and economic freedom.

Indeed, Hong Kong has been named the world's freest economy for 21 consecutive years by the Washington-based Heritage Foundation. And, last year, the World Economic Forum ranked Hong Kong tops in Financial Market Development in its "Global Competitiveness Report".

For many years, Hong Kong has served as Australia's prime gateway - for people as well as goods and services - to mainland China. As the mainland's capital market continues to open up, our role as China's financial hub continues to expand.

The offshore Renminbi market got its start in Hong Kong in 2003. Since then, we have become the world's largest offshore Renminbi centre. Reaching RMB 1,100 billion at the end of May, our Renminbi liquidity pool is the deepest in the world. Last year, global concerns raised nearly RMB 200 billion by way of 149 bond issuances.

In January, the ANZ Banking Group issued a ten-year Renminbi bond in Hong Kong, raising RMB 2.5 billion. This was followed, in March and April, by four issuances from the Commonwealth Bank of Australia, raising RMB 613 million.

By the end of May, the number of banks participating in the Renminbi clearing platform in Hong Kong had reached 224; of these, 199 were branches and subsidiaries of foreign or mainland institutions, including eight Australian banks.

Turning to initial public offerings, Hong Kong last year ranked second, globally, with 122 companies raising US\$30 billion. These included companies from the mainland, Singapore, Malaysia, Japan and the US.

In fact, AMVIG Holdings Ltd, a packaging company from Australia, is

already listed in Hong Kong; more will follow.

With the global economy shifting eastward, more and more quality investment projects are originating in Asia. Located at the centre of Asia, Hong Kong is an ideal base for asset managers seeking to explore Asian investment opportunities or attract Asian capital.

We are also introducing an open-ended fund company structure to attract more investment funds to Hong Kong. The private equity industry will benefit from our tax exemptions for offshore fund regime on transactions with private companies incorporated or registered outside Hong Kong.

The Shanghai-Hong Kong Stock Connect (Stock Connect), which got going only last November, is another example of Hong Kong's first-mover status advantage with the mainland. Another opportunity, too, for Australian companies. Stock Connect allows Hong Kong and international investors to invest in shares listed on the Shanghai Stock Exchange. At the same time, mainland investors can invest in eligible shares listed on the Hong Kong Stock Exchange. Either way, Renminbi funds can be used.

We are now working on a similar link with Shenzhen, where many fast-growing smaller Chinese companies are listed. Overseas players with a presence in Hong Kong will, of course, be able to take part in the scheme.

And there's plenty more on the financial horizon for Hong Kong. Just this month, for example, we launched the mutual recognition and cross-border offering of funds between Hong Kong and the mainland. It allows qualified mainland and Hong Kong funds to be offered directly to retail investors in each other's market, with streamlined approval. The programme gives mainland investors an easy access to Hong Kong funds. And that can only expand the investor base for asset and wealth managers based in Hong Kong.

That includes Australian asset managers. Indeed, I note that Colonial First State and AMP Capital have already set up offices in Hong Kong to take advantage of the opportunities.

Then there's China's "One Belt, One Road" vision. The Belt-Road is a development strategy designed to integrate China more fully into the world

economy. "One Belt" refers to the New Silk Road Economic Belt, which will link China with Europe through Central and Western Asia. "One Road" is the 21st Century Maritime Silk Road. It will connect China with Southeast Asian countries, as well as Africa and Europe.

Plans don't get much more ambitious than these co-operation corridors, embracing business, governments and culture on three continents.

Infrastructure investment is the backbone of the Belt-Road. And many countries along it have great development potential. This will demand substantial project financing, backed by a stable monetary, investment and credit system. The emerging Asia Infrastructure Investment Bank (AIIB) will be part of the solution.

Last month, Australia was among the 50 members that signed the Bank's articles of association. The Hong Kong Government has indicated its intent to join the AIIB. Indeed, our Financial Secretary attended the signing ceremony as a member of the Chinese delegation.

Infrastructure projects generally involve huge capital commitments and long implementation and payback periods. To get things going, the AIIB will need expertise in project financing, investment, financial management and foreign-exchange management. Hong Kong's professional and financial services sectors are waiting in the wings, ready to contribute.

Hong Kong also has an important role to play as the world's premier offshore Renminbi centre. As Mainland enterprises "go global", they will need international investment, cross-border trade settlement, bond issuances and asset and risk management services in Renminbi.

The opportunities are, in short, as big and bold as the Belt-Road itself. For Hong Kong, of course. For Australian companies and individuals as well, thanks to our global experience and our deepening - and deeply rewarding - economic integration with mainland China.

More than honouring outstanding companies, the Business Awards and Young Professionals Alliance Award help light the way for the next generation of Australian companies looking to Hong Kong for their future.

For that, my thanks to the Hong Kong Australia Business Association (New South Wales Chapter) this year - and over these past 15 years.

Enjoy this very special evening. I know I will.

Thank you.

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