

**HKIoD's Response to Policy Address**

(Hong Kong, 14 October 2009) – The Hong Kong Institute of Directors (“HKIoD”) is pleased to support the Chief Executive’s Policy Address for:-

- Being visionary in laying out a clear blueprint to transform Hong Kong into a knowledge-based economy through strengthening the four traditional pillar industries and developing the six crucial industries.
- Seeking closer regional co-operation to generate business opportunities and foster Hong Kong’s long-term economic growth.

Specific comments are as follows:-

**On Financial Services**

HKIoD welcomes the continuing development of Hong Kong as a global financial centre, in particular strengthening investor protection and enhancing the regulatory regime. HKIoD feels that there should be no over-regulating but at the same time balance between global financial developments with local market needs. HKIoD also believes that listed companies play a pivotal role in ensuring market efficiency and integrity, the combination of which should enhance Hong Kong’s role as an international financial centre. Directors should remain up-to-date with best corporate governance practices, which are crucial to the health and growth of the economy. Hence, it is high time that Hong Kong should address the issues of director professionalism and director training.

**On SMEs**

Both listed companies and SMEs need to raise their corporate governance. More focus is required to help SMEs not only to survive after the financial tsunami but also to sustain its development. Again, one such help from the government will be funding in the promotion of corporate governance among the SMEs.

**On Manufacturing Sector**

Little mention was made of how to continue to support Hong Kong's manufacturing sector which operates mostly in the Pearl River Delta (PRD), a sector hit very hard by the financial crisis. Manufacturing that takes place both in the PRD and in Hong Kong remains very important to our economy, because it directly supports our export-import trade and logistics, and taken as a whole this sector accounts for over 25% of our GDP.

**On Logistics**

Commitments were made to develop a number of sites around the Kwai Tsing area for the development of a logistics cluster. But these steps have to be supported by measures to bolster our manufacturing sector that generates business for our logistics industry in the first place. If PRD manufacturing continues to wane, so will Hong Kong's export-import trade and logistics industry.

**On Medical Services**

In the past, the Hong Kong Government had expressed the desire of developing Hong Kong as a regional health care centre. However, there were no concrete plans as to how this could be achieved. In today's Chief Executive's policy address, it is encouraging to note that steps are being taken to deal with some obstacles relating to health care costs by way of granting of land for building hospitals and clinics and also by extending and widening tax deduction benefits for research.

### On Testing and Certification Services

Little mention was made of the Testing and Certification sector other than the fact that the Hong Kong Council for Testing and Certification is expected to issue its report and recommendations early next year. It should be mentioned that there is growing demand for this business and Hong Kong enjoys certain advantages to tap into this business because of our professionalism and integrity. However, because of the highly competitive nature of this business, the government must play a strong regulatory role in supervising the industry so that our standards could be upheld. For example, the companies providing the testing and certification should themselves be certified by the government. The government should also promote the training of testing and certification professionals, and the R&D for the development of testing and certification.

### On Environmental Industries

The heavy address of environment protection is in the right direction in “breaking new ground together”.

The Chief Executive made useful initiatives to make Hong Kong a more environmentally friendly city. They include proposed legislation to enforce mandatory compliance with Building Energy Codes, further measures to clean up the air and reduce food waste, etc. While these should all be welcomed, by themselves they are not at all sufficient to create environmental industries of any substantive scale. What is required is for the government to take broad steps to penalize producers of pollution and waste, so as to create market demand for technology and services to reduce waste and pollution.

In addition, the government should expand research funding for R&D in environmental technology, perhaps through the Science Park or other institutions. Hong Kong should also do much more in terms of recycling, where cross-border cooperation with Guangdong may be needed to make this viable on a large scale.

### On Innovation and Technology

HKIoD welcomes the Government’s “R&D Cash Rebate Scheme”. We hope that the application procedures will be made more friendly and accessible to SMEs.

### On Taxation

The lack of mentioning of taxation is somewhat disappointing as it was generally anticipated that there may be some tax proposals/incentives to stimulate business environment and encourage investments.

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### **About The Hong Kong Institute of Directors**

The Hong Kong Institute of Directors (“HKIoD”) is Hong Kong’s premier body representing professional directors working together to promote good corporate governance and to contribute towards advancing the status of Hong Kong, both in China and internationally. A non-profit-distributing organisation with membership consisting of directors from listed and non-listed companies, HKIoD is committed to providing directors with educational programmes and information service and establishing an influential voice in representing directors. With international perspectives and a multi-cultural environment, HKIoD conducts business in biliteracy and trilingualism. Website: <http://www.hkiod.com>.

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