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10 January 2015

The Hon C Y Leung GBM GBS JP
Chief Executive
The Government of the Hong Kong SAR
Office of the Chief Executive
Hong Kong

Dear Chief Executive

HKIoD's Submission to the 2015 Policy Address

The Hong Kong Institute of Directors ("HKIoD") is pleased to forward our views for your consideration in preparing the 2015 Policy Address.

HKIoD is Hong Kong's premier body representing professional directors working together to promote good corporate governance. We are committed to promoting director professionalism and good corporate governance, as well as contributing towards the formulation of public policies that are conducive to the advancement of Hong Kong's international status.

In relation to the 2015 Policy Address, we have conducted focused review by our Economics & Public Affairs Committee under the chairmanship of Dr Christopher To.

Thank you for your kind attention. Should you have any enquiries about our submission, we will be pleased to discuss with you.

Yours sincerely

THE HONG KONG INSTITUTE OF DIRECTORS



Dr Carlye Tsui
Chief Executive Officer

Enc

cc: Mr Henry Lai, Chairman, HKIoD
Dr Christopher To, Deputy Chairman, HKIoD &
Chairman, Economics and Public Affairs Committee

Issued on: 10 January 2015

**HKIoD's recommendations
for
the Chief Executive's Policy Address
scheduled to be delivered on 14 January 2015**

As we emerge out of the shadow of some prolonged street-blocking and social unrest, we do not see much change in the longer-run governance challenge.

With an ageing population, fewer people will be working to support a growing number of elder retirees. We therefore need more diverse an economy that yields ever higher value from a shrinking workforce. But if we are to develop our economy, to be and to remain competitive, we need to nurture homegrown talents as well as to attract expertise from abroad. If our talents are to stay, we need to keep up a pleasant livable place.

The difficult task remains: put ourselves back on course for growth, for development and for prosperity. That already difficult task may just have been compounded with the aftermath of the prolonged street-blocking and social unrest.

An often cited reason for wide support among the younger generation of the street-blocking and social unrest is their propensity to seek outlets to vent their frustrations. The way Hong Kong is at the moment, the young generation easily find themselves being squeezed in the middle of many livelihood issues facing Hong Kong. The Government will be swayed into coming up with some kind of youth policy. The younger generation deserves help where due, but in our mind, the bulk of thoughts and energy should be put to effectuate structural growth and development that will arrest the loss and further loss of Hong Kong's ability to perform and compete in the long run. The best surrogate to arrive at any good youth policy outcome is an effective economic development strategy. A more diversified economy will create more opportunities for them to construct their future. Economic strength is the surest guarantee of sustained firepower to tackle the many livelihood issues confronting us.

In a Creative Economy, companies old and new can make good use of design to come up with innovative products and services that win customers. In a Creative Society, design is deployed to address societal challenges to instigate positive changes. Businesses can transform society with their successful commercial products. Many of us will also want to see our Government display more courage and determination to innovate and to create positive changes to redress the many livelihood issues facing us.

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Managing the economy

The macro-environment

It is getting more apparent that the US economy will enter a phase of rising interest rates. That could bring some ill effects on the local economy, and the Government will have to assure Hong Kong people that it is prepared and ready to meet the challenge.

Free market competition

The Government will have to give assurance that the upcoming implementation of competition law will not become ill-conceived regulatory excess that works to disparage

practices actually good for both competition and innovation, and ultimately good for consumers.

Ill-effects from the prolonged street-blocking and social unrest

Some businesses must have been affected during the prolonged street-blocking and social unrest. Even then, larger chain operations might fare better than the small local stores, since the loss in one district may well have been offset by gains in others as customers and patronage shift. With the street clearance, we surely hope the local stores would see business returning to normal in not too long a time.

The harm to long-term competitiveness of the economy as a whole may ring deeper than short-term disruptions suffered by any one particular business. If organisers decide to move large-scale conventions elsewhere, if international brands decide to scale down their presence in the territory, those could be jobs and businesses forever lost.

Refresh our tax system to keep us competitive

We are aware of calls to allow businesses to delay upcoming tax payments to help them cope with the business disruptions. But if we are to really help smaller businesses cope with taxes over the long-term, we ought to consider the case for a two-tier profits tax regime.

The availability of tax incentives and concessions has the effect of lowering the effective tax rates for businesses. This is an important factor for investment decisions. Our neighbouring jurisdictions are all competing with Hong Kong for investments, and they offer tax incentives and concessions in many forms and shapes to do so. This has dulled so much the Hong Kong tax system's competitive edge. We repeat our call on the Government to review the tax regime and to add or augment tax incentives to better match business needs, to spur development – to spice up the economy.

The case for a tax policy unit

Demands of global economy and new realities stemming from evolving accounting standards should warrant not expedient and patchwork fixes, but strategic and holistic look at the tax rules to be sure they keep pace with developments and are attuned to how business is conducted in practice. There is a strong argument for and a practical need to have a high-level tax policy unit outside of the Inland Revenue Department to formulate tax policy that makes us competitive. Separate the role of tax collector and tax policy-maker.

A more rounded financial centre

To play its proper part as a major international financial centre, Hong Kong must keep up with the other major financial markets at efforts to improve banking and financial regulations. Nonetheless, the strife for market stability should not stifle quick response and action to hasten the pace at which new features or products are brought to the market. Hong Kong will be a more rounded financial centre if investors have the choice of a wider variety of investment tools and platforms, such as commodities, bonds and other debt instruments, venture capital, private equity and hedge funds.

Indeed, there are plenty of reasons to introduce open-ended fund companies to the market. The availability of this new form of investment could help more retail investors achieve diversification of portfolio while reaping considerable gains. It will also help Hong Kong grow its own capacity to fashion financial products and not just a destination for products from elsewhere.

The Stock Exchange should also have good reasons to permit companies with weighted voting rights structures to list. That will attract more number and type of companies to make Hong Kong the choice location to list their shares.

With the Shanghai-Hong Kong connect now in operation, the financial community will be looking forward to a Shenzhen-Hong Kong connect, and connections not just for buying and selling stocks, but also for other realms of financial investment.

As Hong Kong continues to develop the financial sector, the question is always whether investors, especially retail investors, are protected. But as investors become more educated and sophisticated, they should be getting more and more able to fend for themselves. For them to really do so, one essential element will be the availability of corporate information in digestible form for investors to assess and make investment decisions accordingly. A disclosure regime is only effective when it provides investors with the information they need to make informed investment and voting decisions, but does not overwhelm them with either extraneous information or with a form of presentation that obscures and detracts investors from what is material.

The Chief Executive can do well to better understand changes to the investor demographics, and to consider what changes, if any, needs to be made to our disclosure regime to help investors (particularly retail investors) understand the investment decisions that they are making.

Hong Kong as Super-connector

Keep visitors coming

Hong Kong has been good in connecting people and businesses by drawing visitors from all over. A vibrant hospitality industry, can't-miss conventions and events, far-ranging offerings for a true culinary experience and a full menu for leisure options beyond shopping will help attract and keep them here longer. The prolonged street-blocking and social unrest, however, may have turned some of them away. The Government will need to have some plans to entice them back.

The hospitality industry and the larger economy will suffer even further in the longer run if there is no hope of a third airport runway in operation in soon enough time.

If Hong Kong still wants to cling to its claim of being Asia's World City, it may have to embark on a new round of effort at selling the Hong Kong brand and to offer the excitement of a Hong Kong experience.

The springboard for business coming into and going outside China

Hong Kong has been a major centre for professional services involving cross-border matters. It has much to offer to China enterprises seeking to expand business reach around the globe. Hong Kong would also be an ideal place for setting up regional headquarters or holding companies of business enterprises. The prolonged street-blocking and social unrest, however, may have cast some doubt as to the attractiveness of Hong Kong as the place to do business.

If Hong Kong can reinforce itself as the choice location of regional headquarters or holding companies, it will draw and retain a strong pool of talents with responsibility to manage and direct company affairs. It will also attract experienced personnel from various professional

services to Hong Kong. We again ask the Government to introduce “group loss relief” and other tax incentives and exemptions to support this development.

The further experimentation with free trade zones are no doubt challenges to Hong Kong but as it is often the case, crises could generate their own opportunities. The Chief Executive must bring Hong Kong influence to the table, such that economic reform progress on the Mainland does not come at the expense of Hong Kong. The Chief Executive will want to make Hong Kong a big factor as the Mainland government charts the Thirteenth Five Year Plan.

We expect the Chief Executive to carry on the progress in another front, and make Hong Kong part of the ASEAN-initiated Regional Comprehensive Economic Partnership a reality.

Spicing up the economy

Reviving the agricultural sector

We see merits in reviving high-value farming and fishery, to satisfy a growing appetite for safe and wholesome food and to add attractions for leisure travel.

High-skilled manufacturing

We see value in bringing back high-skilled manufacturing as part of a more diverse Creative Economy. There are obstacles to overcome (eg, land costs) and the Government will need to devise plans to lead the way.

Daring them to start their own businesses

The desire might be there, yet Hong Kong people balk at the idea of starting their own business ventures. The obstacles lie in high rent and high start-up costs. Many people are also put off because they fear they don't know how to go about starting a business, from turning a spark of idea into a credible business model, to jumping the regulatory hoops, to rolling the model into actual operation.

To help the would-be entrepreneurs to start up a new venture, the Government can offer low (even free) interest start-up loan and rental assistance as incentives; and make available more collaborative work space, incubators and innovation accelerators to support startups. Better coordinated information and assistance from various government agencies and authorities, something closer to a “one-stop shop” experience, could help the inventor-entrepreneur overcome the hurdles when it comes to incorporating a company or to register for intellectual property protection.

The Government can also rally the talents we have in society to give coaching and advisory to would-be entrepreneurs. We often think of social enterprises offering services and products directly to customers in need. We can conceivably also have social enterprises providing advisory and consultancy services to would-be entrepreneurs. Retired but still energetic business professionals may be the ideal candidates to lead and operate such advisory services. Training and guidance materials on various specific topics can be produced by university departments or institutes, or business chambers and professional organisations with funding from Government grants.

Help SMEs with cash flow, help them cope with the cost of doing business

We can help small businesses cope with the cost of doing business. These could include profits tax concessions, additional deduction allowances on business costs that smaller

businesses routinely and legitimately incur, longer time window for them to pay taxes, and simpler paperwork associated with tax returns. The ability to carry losses back to more profitable years could also help more SMEs weather economic storms.

The Dedicated Fund on Branding, Upgrading and Domestic Sales program can probably be augmented to offer a wider scope of assistance and to make for better eligibility. Likewise, the SME Export Marketing Fund program can be augmented to become a revolving fund of larger subsidy amounts.

Loan guarantee schemes that have been put in place as temporary measures could well be made permanent. We note, however, that some would-be participants lament that they don't help and may in fact add to the cost of doing business. The Government may be offering SMEs better help by retuning those schemes or to offer alternatives.

A workforce for the economy

Overtime, there will be fewer workers to support a growing elderly population. And with a number of major infrastructural projects now underway or in the plans, we need many workers on construction sites if we are to keep things on schedule and avoid cost overruns.

Import labour

Wide spread importation may raise some eyebrows, but importing labour to fill jobs in specific sectors or for defined projects under strict criteria would seem a reasonable measure.

Better incentives to unleash the latent workforce

To entice the homemakers, we will need flexible work hours and better availability of high quality child care facilities near the workplace as an attractive alternative to hiring domestic helpers.

Some tweaking of social policy to delay the retirement age and some tweaking of business practices to result in more widespread adoption of flexible work arrangements may wrestle more workers out of retirement and attract some more to join or rejoin the workforce.

For the many workers now having to work longer hours, handle more tasks, and risk more mistakes and injury as a result of fatigue, we can give better incentives to businesses, especially the SMEs, to upgrade and improve work environment and equipment so we get better efficiency and improve safety.

Education and vocational training to serve the economy

When our education system churns out graduates that are not suited for the job market, it will put a big dent in our hope to be competitive. Our schools must produce the workforce for current needs as well as future development.

As we develop the financial sector, we will need an ever stronger talent pool. The Financial Services Development Council recognised this as much. Closer connection between industry and schools in course curricular design and for practical training is seen as important elements to enable new graduates and practitioners alike to have and to keep up with new developments.

The concept of course applies to other sectors. But at the same time, the younger generation does not see bright career prospects other than in finance. If only we can have a more diverse economy and work qualification and accreditation schemes to match.

Hong Kong does have creative talents across diverse sectors. Apart from work qualification and accreditation schemes, it may be that we need to better instill and cultivate an innovation culture. To that end, education and continuous professional development need to be creative and adaptive to help develop new skill sets as we embrace design, innovation and technology in a digital and connected economy.

A Creative Economy will need a “T-shaped” workforce with the ability to work across knowledge domains to create new or improved products and services. In order to have a workforce that thrives on creativity and innovation, curriculum development must also be accompanied by efforts to enhance teachers’ quality and ability to enable students to have a fruitful learning experience in collaborating and co-creating solutions to problems.

Make local schools as good an option as international schools

Our schools should be churning out graduates who can make up the workforce for current needs as well as future development. Substantive work skills from vocational training are important. But those in management, especially those in human resources, often lament that the new entrants do not seem to even have the basic ability to communicate with co-workers (whether in English or punyi, whether writing or oral).

And for new entrants to be better in tune with a Creative Economy to really perform, they will also have to have nurtured a collaborative mindset, developed the ability to write codes for digital devices and acquired a sensibility to art, design and culture, all from the time they are in school.

The Government should want to re-instill confidence among parents in our primary and secondary schools with some firm plans to retune the curriculum.

While we need international schools for the children of talents we attract from abroad, we will never have enough if local kids are flocking to international schools to soak up the new seats.

Education funding

Hong Kong ought to invest in education. Make 15-year free education happen. Keep growing the number of subsidised seats in universities. Lower the bar for students to apply for financial assistance to go to universities. And for those who are already at work, make bigger allowance for them to pursue continuing education.

Corporate governance training

HKIoD believes lifelong training for directors in corporate governance knowledge and skills is an important yet often neglected segment when it comes to nurturing talents for the economic development of Hong Kong. HKIoD has long supported the promotion of corporate governance training, which is crucial to the long-term survival of their businesses and also the health and growth of the economy.

There is evidence of an ever stronger appreciation that company directors must have and must continue to improve on their skills, knowledge and qualities required to meet the

corporate governance demands of today. All company directors, when they first assume their posts, should have a firm measure of competence to perform. Over time, they should strive to remain up-to-date with best corporate governance practices.

Following a consultation exercise conducted by the Stock Exchange, listed company directors will have heightened responsibilities in risk management and internal control. More generally, the passage and implementation of the New Companies Ordinance will require all company directors to be aware of the rising expectation on how they perform their duties.

But if we want more from directors, then give them tools to perform and shields to protect. Hong Kong company directors will have widely-recognised references and practice notes to guide their conduct and behavior, but there should still be complementary measures. Directors ought to be protected in legal proceedings for good faith business judgment and decisions they made. They also need adequate indemnification, insurance or other risk coverage to shield their exposure.

Corporate governance is not just for listed companies

The benefit of proper initial training and continuous professional development for directors will flow not only for big corporations but also small companies. SME owners will benefit from corporate governance training. Many SMEs still find it difficult to take full advantage of loan schemes of one kind or another. There are a number of reasons for this, but one common impediment is that many SMEs could not demonstrate proper internal control and are ill-prepared to submit sound loan proposals. A better corporate governance scorecard will make it more likely for a business to obtain credit and financing. The Government will serve the economy well to roll out measures to help owners and directors of SMEs to obtain training to enhance their corporate governance practices.

The benefit of proper initial training and continuous professional development for directors will flow not only for business corporations but also social enterprises and charitable organisations. While the Government considers the recommendations in the Law Reform Commission's report on Charities, it would not go wrong to require charitable organisation directors to raise their game and be even better at corporate governance.

An attractive home for its denizens

Housing and land supply

The foremost livelihood issue on people's mind is the situation of housing. That was the main focus of this Government. For us, the overall long term goal has not changed. We need to re-establish a flight of steps for younger persons and families to improve on their housing condition and quality of living in realistically reachable climbs.

As part of the housing strategy, we are aware that the Government is committing to 480,000 housing units over the next ten years, with a 60:40 public-private split.

Another longer term goal that should not be forgotten is to increase the living area per person, a statistical measure where Hong Kong ranks rather low at the moment. There are also promises to be kept: the three-year waiting time for public rental housing

To meet these goals and promises will require ample supply of land, and there are already plenty of objections or oppositions to the Government's proposals to make land available. At the same time, the frantic search for housing sites cannot be at the expense of land needs for

education, healthcare, recreation and other public amenities. We will also need sites for industry and commerce. The Government will need to demonstrate its ability to overcome obstacles in making land available and to reconcile land needs.

The Government will need to stand ready to justify its position on rent control. As for the demand-side management measures, we do believe there is merit to consider a waiver or partial relief for first time buyers.

Cityscape and community spirit

With many old districts undergoing redevelopment, neighborhood shops disappear, in come chain stores. Many are feeling that our street economy is fading away. The street economy is a cityscape to be cherished. The possibility of living on the town along street fronts doted with shops of all kinds is a character of living in Hong Kong and a source of the Hong Kong community spirit. As we build more housing and as we redevelop old districts, we have to keep that cityscape and community spirit. Could we put in more thoughts to fashion alternative market clusters for displaced businesses to continue their business?

Healthcare

An ageing population will demand more health services and the Government needs to prepare for it. The projected need for more hospital beds over time needs to be met. Hospitals specialising in Chinese medicine deserve their place in their own right. Geriatric hospitals combining Chinese and Western medicine will be welcome alternatives for many of our ageing population.

We recommend the Government to enhance services at outpatient clinics to reduce queuing time.

We are aware that the Government is consulting the public on the introduction of a voluntary health insurance scheme. To permit tax deduction on the purchase of health insurance will probably help many middle-class families cope with health care costs amidst many other expenses. We would also recommend the Government to permit tax deduction on broader categories of healthcare-related expenses.

Live their golden years – and die – with dignity

Ageing at home and a home care service industry

If we were to effectuate the avowed policy of aging at home, we need far more resources allocated and much more resolute support to service providers to cut the waiting time for home care services.

Home care service provision must shed its image of being just social welfare. Home care service provision has all the potential to evolve into an industry of good business prospect with professionalised operations. We need more people with the right training and the commitment to work in this industry. The Government can come up with stronger plans to channel some of our labour force, younger workers included, into home care services and to spark the local home care service industry.

Retirement communities

Not all families have the wherewithal to live with their aging parents. We believe retirement communities with integrated medical and other social amenities is one sensible way to complement the “aging at home – aging in the community” policy.

Those approaching retirement age, especially the empty nesters, can settle into ordinary flats that are part of the retirement community. When health conditions require them to be taken care of by others, they can receive home care services or move into retirement homes within the community. Younger and still able residents in the community can be organised to volunteer home care services to those older and more in need. Their contribution can be points redeemable for home care service when they in turn need it, or be counted towards priority for moving into nursing homes.

A more pleasant living environment

Garbage ... what to do with our garbage?

If we are to institute a levy on garbage disposal that is fair, we must first have in place the infrastructure to segregate waste at the source and to make better use of the recyclables. We need better incentives for residential and commercial buildings to reduce waste and keep recyclable materials off our landfills. We also have to stop discarded electronic products from causing more damage to our land. We should also have plans to introduce advanced incineration and other waste disposal technologies, including those that will turn waste into energy.

Hong Kong seems to be a place that generates an excessive volume of discarded home appliances or furnishings, many of which still very usable. We believe one reason is many new flats are sold with furnishing, but the buyers do not necessarily want them. Is there a possibility for buyers to specify options they want or not want with the flats they are to purchase without diminishing too much the architectural style or theme of the larger estate? For the other home furnishings that may be discarded, those could be good materials for some recycling, even up-cycling. Operators, however, will need affordable space to gather and sort out the materials and also as workshop to fabricate new items out of the materials.

Of cars and air quality

When we read and hear about bad air quality in Mainland cities, we should never be complacent and too lenient about that of our own. Air quality in the Pearl River Delta is not going to be a problem solvable by the effort of any one locale acting on its own. Internal diplomacy can be put to work and the progress can be made more transparent to the public.

Too many cars may be the local source of poor roadside air quality, not to say road congestion. We noted that a recent report by the Transportation Advisory Committee offered a number of suggestions to control car growth. Among the suggestions offered is a recommendation that HKIoD has advocated for a number of years: introduce road pricing in congested zones.

Public transport and pricing incentives

The Government will need to restore confidence among commuters in the service reliability of the rail network.

With the Island line extension coming into operation, there is yet another opportunity to reorganise and rationalise bus routes on the Island at least. We believe strategic placement of transfer points, a better transfer fare mechanism and the wider adoption of monthly and weekly travel pass across different public transport service platforms will be an integral part of a larger public transport solution.

Creative Economy, Creative Society

As our neighbouring economies are undergoing design-led transformations, we in Hong Kong must be more able to have a mindset for strategic use of design, to be innovative. Hong Kong must continue to build its innovative ecosystem and foster creativity and cross-disciplinary collaborations.

Firmer steps led by the Government towards the development of a Hong Kong intellectual property hub, one with well-grounded rules to protect IP and with professional intermediaries to facilitate financing or trading transactions to realise the IP's commercial value, will give designer-founders, local or from abroad, better reason and encouragement to see Hong Kong as fertile ground for innovation and to set up shop here. With the right incentives, existing enterprises will also find new impetus to put efforts into design-led transformations that could take them to new heights.

Hong Kong the hub of creativity and innovation

Hong Kong can leverage the research capabilities of the Mainland and Hong Kong universities and R&D centres, and link up those capabilities with the manufacturing capacities on the Mainland or elsewhere. But there remains a wide gap between academic research and commercialisation of the research output into products and services. So while there are government assistance programs, we ought to consider, one, to increase the amounts funded, and two, to adjust the conditions for grant assistance to encourage more applied research leading to commercialisation of research output. Together with better tax incentives, we can have better chances to turn design into valued product and services for the market.

The Chief Executive can set us on the right track by increasing spending on R&D relative to the size of our economy. Putting more money to support existing or new incubator programmes will give more entrepreneurs an opportunity to succeed. Committing to buy more local innovations in public sector procurement will give them a reason to persevere.

Hong Kong's expertise in asset management can be put to good use if we are to develop a fuller venture capital market. The Government can in fact chip in as passive investor, making available more funds for R&D and for incubator support of early-to-growth companies.

Created in Hong Kong with pride

Though mass production capacities are available on the Mainland or elsewhere, prized skills and craftsmanship that once made Hong Kong proud remain found among some Hong Kong workers. They are raring for renewed opportunities to put their skills to use. They have the ability to fabricate those specialty parts or to accomplish those intricate work steps that go into prototypes of innovative designs. Manufacturing of a different, higher-end kind can still happen here. Great things can still be Made in Hong Kong with pride. Hong Kong has creative talents who are known around the world. Great things can indeed be Created in Hong Kong with pride. If only Hong Kong can truly foster entrepreneurship for a Creative Economy.

An enduring culture of innovation

Corporate governance demands of today will require the ability to understand and identify the risks and rewards that may come from creativity and innovation in creating business value. Directors ultimately have the responsibility in setting organisational strategy that leads to creation of long-term value. As corporate leaders, directors have many good reasons to factor the potential of creativity and of innovation into their corporate strategy. As part of the

corporate strategy they devise, directors have as good reasons to instill a culture of innovation into their organisations, and to leverage design and innovation to advance competitive advantages and business performance.

There are worrying signs that the financial sector is increasingly being drained of its ability and energy to innovate. Tighter and yet tighter regulatory and compliance requirements would seem to be a main reason for that. The emerging FinTech movement in Asia and around the globe, however, suggests that innovation and creativity can reshape old-fashioned banking and financial services delivery. Regulatory approach, in turn, will need to innovate to embrace the new.

Not just directors, not just corporate leaders or professionals, the citizenry should all develop a heightened sense of wider use of design to create economic value, to enhance competitiveness and to achieve societal progress. As we shape up our workforce, we must not overlook the important element of fostering creativity and a culture of innovation.

Wider use of design in the delivery of public service

The power of better design does not just spark innovations fetching more profits. The power of smarter design, the power to conceive a newer different way of doing things, can be deployed to improve work productivity at the office or at the factory. Not only do business enterprises earning profits want innovation, social enterprises and public agencies should also tap the power of better and smarter design in finding new ways to deliver services that enhance user experience. It is perhaps the case that design realises its true value when put into addressing societal challenges and instigating positive changes.

We have our international airport and the octopus card as examples of good system design to boast. The redesign of the Mongkok post office and the Cornwall Street Park are also good examples of innovative public service design. We can go further, by embracing wider and strategic adoption of new information and telecommunication technology to make Hong Kong a show case Smart City.

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Much of the content of what we have recommended in recent years remains timely and appropriate. In this communication, we seek to highlight what we see as over-riding issues that deserve particular mention in the upcoming Policy Address.

The interlude of some prolonged street-blocking and social unrest may sway the Government to attend to present cries. But for us, the governance challenge for the longer term hasn't really changed. The state of the SAR can go weaker still if do not make Hong Kong able to perform and compete once more. It calls for ever more courage and determination to innovate and to create changes that will bring us onto the path towards fulfilling our ambitions and aspirations.

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