

[For Immediate Release]

HKIoD's Response to the Policy Address Delivered on 14 January 2015

Steady Progress

The Hong Kong Institute of Directors (“HKIoD”) made the following statement in response to the Policy Address delivered on 14 January 2015.

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HKIoD finds the Chief Executive’s Policy Address a reflection of the steady progress this Administration has made in promoting economic development and improving people’s livelihood.

To improve people’s livelihood will require sustained economic growth

The Chief Executive committed to make people’s livelihood a priority for this Government in the coming year. He also stressed that “people’s livelihood depends on the economy, and fostering economic development is vital to improving people’s livelihood.” The Institute is with the Chief Executive. The Institute believes economic growth remains our best friend when it comes to finding new monies to tackle livelihood issues.

Economic development with Hong Kong as “Super-connector”

To promote Hong Kong economic development, we have to make the best out of Hong Kong’s role as “Super-connector”. The Institute agrees with the Chief Executive’s statement that Hong Kong industries, whether those pillar industries such as finance services, shipping, logistics, trading, tourism and professional services, or those emerging industries, all share one common advantage: that of being the link between the Mainland and the rest of the world.

With the Shanghai-Hong Kong Stock Connect as model, the Institute wishes for a quick introduction of a Shenzhen-Hong Kong connect, and of connections not just for buying and selling stocks but also for other realms of financial investment. The Institute believes Hong Kong has all the ability to capitalise on its financial centre identity to keep a leading role in the further liberalisation of our country’s finance system.

The Government sets its sight on high value-added maritime services and aerospace financing business. The development in these areas will likely strengthen Hong Kong’s status as a shipping and aviation hub, and will also help consolidate its position as a global financial centre.

The Institute wishes for an early start of the new convention centre above the Exhibition Station of the Shatin to Central Link. We worry that, like in other infrastructure projects, the failure to start early would only result in higher costs and longer wait for economic benefits to come into play.

The Institute firmly believes that for Hong Kong to become part of the ASEAN-initiated Regional Comprehensive Economic Partnership will bring immense business opportunities and will make Hong Kong even better in its “Super-connector” role.

Housing and land supply

The Chief Executive mentioned that the government will take more vigorous enforcement actions against irregularities for subdivided flats involving building and fire safety, but will provide occupants so affected with transitional accommodation. The Institute concurs.

The Chief Executive proposed a multi-pronged approach to increase, both in quantity and in form, the supply of sale flats so to offer more property choices and home ownership opportunities for low and middle-income families. Among the proposals is the idea to make some Public Renting Housing (PRH) flats available for sale to Green Form applicants. The Institute has reservations about this idea. Our worry is whether it will make it even less likely to meet the 3-year waiting time for those seriously in need for public rental housing to satisfy basic housing needs.

The Institute has no doubt in this Administration's determination to work at increasing the supply of housing units. The Institute believes that, with the completion of more units, we can indeed 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. But we reiterate our concern, that in meeting the acute housing demand now, we do not forget the other long-term goal of increasing the living area per person. Perhaps we can add a bit of creativity in the floor plan design of the new housing units, such that when the pressure on housing lessens, the units can be suitably re-modelled to become larger units.

The Institute believes the prospect of averting the supply-demand imbalance in housing supply sooner in time still hinges on the ability to search for suitable land for housing development. The Chief Executive admitted that "the root of many social and economic problems in Hong Kong lies in the shortage of land for development." Indeed, land needs for industry and commerce must not be brushed aside in the quest for more housing. The Institute is aware that the Government will seek to convert suitable GIC sites in core business districts into commercial use. The Institute finds this to be an appropriate choice.

Developing Lantau to turn the massive potential of "bridgehead economy" into real gains deserves support, for it is an important strategy to better utilise Hong Kong's land resource for economic development. This should go in tandem with the East Lantau Metropolis proposal.

Creative Economy

The Institute agrees with the Chief Executive's proposals that would foster a Creative Economy.

The Chief Executive offered to inject \$5 billion into the Innovation and Technology Fund, and will subsume the Research and Development Cash Rebate Scheme under it. This proposal deserves praise, but we believe there is room for more assistance to encourage R&D, for example, by expanding the Research and Development (R&D) Cash Rebate Scheme and by offering tax incentives such as extending deductions for R&D expenditure and for purchasing of intellectual property rights. The aim is to help Hong Kong enterprises turn innovative ideas into sought-after products and services.

The Chief Executive announced the initiation of a \$300 million Youth Development Fund. The scope of this Fund will include subsidy in the form of matching funds for NGOs to assist

young people in starting their own business. The Institute is convinced that there are many capable persons, e.g., retired but still energetic business professionals, who would be ideal candidates to coach and guide those young people who set their mind on starting a new business. 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. The Fund could perhaps be made available for the production of training and guidance materials.

Smart City, Creative Society

The power of better design does not just spark innovations fetching more profits. The power of better design can also help society find new and better ways to deliver public services. The Institute is aware that the Government has plans to take Kowloon East as pilot for a “smart city”. We firmly support the initiative, and wish for it to become a showcase for future development.

Long-term development driven by talents

Hong Kong’s long-term development is to be driven by manpower. The Chief Executive laid out a series of measures to unleash the potential of local labour force, nurture local manpower and to attract talent from outside Hong Kong. The Institute finds the collective measures appropriate. Enhancing child care services to provide better support for women who wish to join the job market is in fact among the Institute’s recommendations to the Chief Executive.

Hong Kong’s long-term development is to be driven by talents. Our schools must be churning out graduates who can make up the workforce for current needs as well as future development. For our work force to be better in tune with a Creative Economy to really perform, they must 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 their primary schools.

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.

To maintain Hong Kong’s role as a major international financial centre, Hong Kong must keep up with other major financial markets at efforts to improve banking and financial regulations, and to raise corporate governance. But corporate governance is not just for big corporations. Owners of SMEs and those who are thinking about starting a business should also pay attention. There have been plenty of cases where SMEs still find it difficult to take full advantage of loan schemes of one kind or another. 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.

Company directors are ultimately responsible for corporate governance. Better quality company directors should mean better corporate governance. HKIoD believes that company directors should have a firm measure of competence to perform when they first assume their posts. Over time, they should strive to remain up-to-date with best corporate governance practices. Similarly, directors/governors of social enterprises, charitable organisations and statutory bodies should also be ready and prepared to discharge their duties when they start

out and to keep up-to-date with best governance practices over time.

The Institute prays for the Government to draw up measures to help directors of business companies or governors of organisations of various kinds, whether those who now are and those who aspire to be, to obtain quality training so as to raise the level of their corporate governance practices.

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About The Hong Kong Institute of Directors

The Hong Kong Institute of Directors is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. 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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