

**HKIoD's Response to the Policy Address
Delivered on 13 January 2016**

Note: The response first appeared in Chinese on 13 January 2016.

Pressing On

(13 January 2016, Hong Kong) – The Hong Kong Institute of Directors made the following statement in response to the Policy Address delivered today.

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In the view of HKIoD, the Policy Address delivered by Chief Executive C.Y. Leung today is indication that the Administration is pressing on with promoting economic development and improving people's livelihood, squaring with current challenges while meeting longer term needs.

To improve people's livelihood will require sustained economic growth

The Chief Executive reported that in 2014-15, profits tax and salaries tax both reached new highs, and that gave the Government the resources to improve people's lives. A year ago, he also made the point 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. With sustained economic growth, all walks of live are that much more able to share in the prosperity, and the younger generation will have that much less difficulty in finding more jobs and opportunities for their choosing.

Be a better "super-connector", grasp opportunities

The Policy Address makes clear the SAR Government will take active part in and will do things to complement the Belt & Road Initiative, and the various departments will work towards making Hong Kong the Country's super-connector, grasping those opportunities that present themselves as China keeps its door open to two-way traffic under the 13th FYP – not just foreign investment coming in, but native Chinese investments going out, going global.

The Institute agrees. The Institute holds the view 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 China-led AIIB getting into action, much demand in infrastructure project financing is expected. Should there be more RMB finance deals completed in Hong Kong, it will go some distance in shoring up the foundation for Hong Kong to be the leading offshore RMB business center. Some projects can conceivably be backed by bonds to be listed on the Hong Kong market to give the local bond market a shot in the arm.

Housing and land supply

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 is determined to identify more sites through the review of land use, and will consider expanding the area of certain sites slightly to generate additional public housing units. This effort may work to make it more likely to meet the 3-year waiting time for those seriously in need for public rental housing to satisfy basic housing needs.

Land needs for industry and commerce must not be brushed aside in the quest for more housing. The Government will seek to convert more suitable GIC sites in core business districts into commercial use, and will also seek to identify sites for science park development and for industrial estates. The Institute thinks this is appropriate.

Developing Lantau to turn the massive potential of “bridgehead economy” into real gains deserves support, and this should go in tandem with the East Lantau Metropolis proposal. We are delighted that the Government will set up a dedicated Lantau Development Office. Experience gained in tackling related tasks may be useful reference guidance for exploring the suitability of developing certain land sites within country park boundaries.

An ageing population will also translate into land needs. The “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030” initiative will examine the impact of an ageing population on land needs for housing, healthcare services and elderly care facilities. We wish for a successful “Hong Kong 2030+” to help draw up a blueprint for the future sustainable development of Hong Kong.

Control public works costs, bring up and bring in construction workers

The Chief Executive will soon roll out measures to better control public works costs. We agree. Although Hong Kong will need to keep investing in infrastructure to keep long-term competitiveness, too many projects going on at the same time to the point of juggling up costs would not help. The Chief Executive speaks of “design for buildability” so as to reduce costs without compromising on safety. We believe there is room for the Government to better support downstream R&D relating to building design and construction engineering, so that R&D achievements can get out of academia into society to solve real problems.

We also agree that, while we strive to provide training and to attract new entrants, and while we give local workers priority and keep their wages, there is a genuine need to import workers to meet development needs.

Smart City, Creative Society

A Smart City is a city well-connected. The Chief Executive is seeking to improve Wi-Fi coverage and functionality, make public data available and formulate policies on big data application. The Government will also set aside \$500 million for an Innovation and Technology

Fund for Better Living to finance projects that make use of innovation and technology to improve our daily life. The Institute are for these measures. We have long held the view that 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.

To install real-time bus arrival information display panels is to catch up with other major cities which have started to make that happen in the last century, and it can only be good for the passenger population. If such effort can combine with the rather dense mobile communication network and some good apps, perhaps we could turn the game on its head and make ours a showpiece in how innovation and technology can be deployed to better people's lives.

The Policy Address made mention of finding ways to make the living environment, whether indoor or outdoor, safer and more comfortable and elder-friendly. In this regard, we think there would be opportunities to tap creative ideas and innovate.

Creative Economy for progress

Innovation and technology fosters great return in a Creative Economy, and few can deny it. The Chief Executive is right when he said a key issue concerning the development of our innovation and technology industry is how the research results of universities can be commercialised. The Institute has great respect for the many achievements local universities have made in upstream academic research, but we need them to redouble the efforts downstream to turn more research into products that have larger societal impact

The Government will set aside \$2 billion for an Innovation and Technology Venture Fund to join in with private venture capital funds and match their investment into local start-ups. We praise the Government for the initiative, but we think the Government can do more, whether in the form of R&D grants and subsidy or through tax incentives, to help Hong Kong businesses turn creative ideas into products and services that win customers and instigate positive changes for society. We look forward to hearing from the Financial Secretary further fiscal measures in the Budget to encourage businesses to engage in R&D.

Long-term development driven by manpower

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. As for teachers, we have to enhance their quality and ability to enable students to have a fruitful learning experience in collaborating and co-creating solutions to problems. We are with the Government, in that we can step up efforts to promote STEM (Science, Technology, Engineering and Mathematics) education and to encourage more students to pursue these subjects and to add to our science and technology talent pool.

In view of the Belt & Road Initiative, we will need a lot more talents who are well-versed in the languages and cultures and who understand the policies and regulations of the countries along the two routes. We can add appropriate content to our school curriculum, but we also wish for more support for those already at work to acquire new skills through continuing education.

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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