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**HKIoD's Statement
ahead of
the Chief Executive's Policy Address
scheduled to be delivered on 19 October 2022**

HKIoD had the opportunity to participate in a consultation session via zoom in August. There, we gave a highlight of our views and recommendations. In this submission, we elaborate on those views and include additional pointers for your consideration.

Hong Kong the capital market of choice

The consultation session we participated in had “Enhancing competitiveness (International Financial Centre)” as theme. The Administration would have that objective in mind. As a start Hong Kong should seek to be a capital market of choice.

Being so close to Mainland China is an advantage for the Hong Kong market. But as one panel speaker at HKIoD's recent Directors' Conference had said, for Hong Kong to be a true international financial centre will require Hong Kong to not just be China's window to the world capital market. It needs to have capacity to serve cross-border capital market needs in the wider more general context.

It won't be too wrong to bring more businesses along the Belt and Road to list here, and thereby to diversify the Hong Kong capital market.

Hong Kong the trading hub

Sooner accession to RCEP and CPTPP should also reinforce Hong Kong's place as international trade and investment hub.

Capital raising needs for growth enterprises

For Hong Kong to want to push for R&D, innovation/technology and to bring Hong Kong industry to 4.0, we should need to cater to the capital needs for new and rising businesses. To get on the Main Board is not exactly easy, but the GEM Board is not helping much either.

Whether to relax the Main Board requirements or to resurrect the GEM Board is a worthy topic for further discussions. There may be good reasons to walk on two legs, doing both. We do note that the Stock Exchange is about to commence a consultation exercise to relax listing requirements for some early-stage tech companies. That should be a good forum for stakeholders to offer views to help inform the way forward.

We believe the Hong Kong financial market has reached certain maturity to allow for more flexibility. Investor education can certainly continue. To enhance the role and function of directors especially independent directors and to raise the corporate governance game of listed companies are also good means to protect investors.

Majority INED

We are glad that the notion of having a majority independent directors on listed company boards is now getting more traction. We have said it before, as early as 2011, that to have majority INED will better enable independent directors to collectively play their roles. With INEDs comprising the majority, their active involvement in board matters becomes more necessary and their time commitment to do so better valued.

All company directors should have financial literacy, not to rely on some accounting experts

There has been some movement to reinstitute a requirement for listed issuers to employ a “qualified accountant” on a full-time basis.

An issuer’s board is ultimately responsible for its financial reporting. HKIoD position on this matter is clear: it would be better corporate governance, better safeguard for investors and better indication of the overall health and maturity of the market, if it is for *all* directors on an issuer’s board to have the financial literacy necessary to perform their duties.

To reinstitute the requirement could drag us backwards, inviting directors to think they can relax and rely on the qualified accountant. This should not be what we want our public company boards to behave.

Digital economy requires digital transformation

The Financial Secretary put forward the idea of a Digital Economy Development Committee in his Budget Speech earlier this year.

The DEDC is now formed and has kicked-off its agenda. HKIoD looks forward to working with the DEDC to advance the development towards a digital economy. Digital economy requires digital transformation, but digital transformation is not just a technical matter about adopting new technology. It is as much if not more about devising and adjusting business model and strategy, something well within the realm for company boards to oversee.

On one hand, we want more Hong Kong businesses big and small to incorporate technology into their business models to create more value. On the other hand, following a point made by another panel speaker at our Directors’ Conference, we would also want more Hong Kong to not just be *user* but also *creator* of technology for others to adopt. This would require the right mix of policy to help industries and to attract and keep talent.

Rescue the businesses that are going under, and save jobs

With a dismal economy, and despite several rounds of relief measures, some number of businesses will run into serious difficulties. When a business fails, the jobs go away. People’s livelihood becomes an issue. Social stability is threatened. To save businesses from going under is to save jobs.

Corporate rescue legislation has dragged on for two decades. Time and again, we say “it would be nice to have a corporate rescue regime, but we have not yet made it into law!”

A new administration, a new LegCo. This ought to be the time to push it along.

We think, however, that it is more important for the Government to devise a flexible regime that gives sitting company directors real leeway to explore restructuring options. The

Government would seem to take the view against debtor-in-possession. But the original team may be the ones best familiar with the business, the ones best suited to rescue the business.

The Government would also be harsh on directors when it comes to “insolvent trading”. In the face of personal liability, company directors may well choose to kill the company rather than to seek a rescue.

The Government may be looking to UK and Australia as model. Once the toughest regime on insolvent trading liability, Australia has since 2017 been on a u turn, promulgating safe harbours as relief and has during the pandemic taken a lighter touch enforcement approach.

All in all, a meaningful corporate rescue regime must be one that facilitates restructuring to save a business. If the rules are too tough, the companies will just fold up (太過嚴苛，結束的多!)

Talent hunt, Talent fight

To attract talent and to keep them here is on the minds of many observers. Even without the pandemic, it would be a tough fight for talent to keep Hong Kong growing.

To attract more persons of different nationality, different ethnicity and different background to come here to make an investment, to practice their trade in professional services, to take up management posts, or to join boards as outside directors or as advisors, will all go to enhance the Hong Kong image as international financial centre, a locus of economic activities.

There has been talks and suggestions in the community to push for a relief on “double stamp duty” that talents moving to Hong Kong may have to pay if they are to buy a flat. Should the Government decide to grant the relief, the perceived benefits ought to be explained to the people.

Some may have worries about what they perceived as a deterioration of the legal environment that would hurt their confidence with the laws and courts here if they were to resolve disputes. On this count, for the legal practitioners to continue to be diverse, and for judges on the bench and arbitrators in ADR settings to continue to be international, should help restore even add to investor confidence.

Real, deeper level diversity

The Stock Exchange has sought to implement measures in the hope of seeing more women taking board seats. This is a good starting effort to bring some more diversity to issuer boards.

Nonetheless, we should know that having one even a few more women will not by itself ensure diversity. If the chosen candidate(s) is content with just breathing the same exhaust with the existing members of the board, the whole thing will just render itself a box ticking exercise. That will never be adequate, if enhancing board governance is the real aim.

We believe every company should consider their business and strategy needs and accordingly appoint more persons of different nationality, different ethnicity and different work and life background to their boards, so to achieve real, deeper level of diversity. To attract great minds from all over to sit on Hong Kong issuer and Hong Kong company boards is one facet of the talent hunt.

Covid-related travel restrictions is killing the economy

HKIoD agrees with the saying of one of our panel speakers at our recent Directors' Conference, that losing connectivity here in Hong Kong could mean an attrition of the critical mass that had made us strong but adding to the critical mass that could make our competitors stronger. Investors and visitors are not coming. Our own businesses cannot go out to seek pasture and win business. Many families are separated and find it hard to connect.

Rigid restrictions are anti-thesis to Hong Kong wanting to reinvigorate the travel and tourism industries. Organisers will continue to look to move events elsewhere rather than to contend with quarantine measures. Major exhibitions and conventions are already skipping Hong Kong, may be for good. Hard for Hong Kong to claim itself an Events Capital.

Lift travel restrictions!

We have seen some travel restrictions relaxed but the “0+3” scheme still comes with quite a bit of hassle that other popular destinations have dropped. We tend to agree with the sentiment that they are not enough to bring visitors back. Not just being not enough, they may have the effect of sending the spending offshore, stimulating other economies ahead of our own.

Keep Hong Kong the choice hub for air travel

To lift travel restrictions should be a major help in keeping Hong Kong the choice hub for air travel. As more Hong Kong people are gearing up for their new travel, all facets of air transport will need to re-adjust to the pace and pressure of servicing many flights and many passengers on a daily basis. Crews in the air and crews on the ground will need to be on alert and assure travelers of reliable service and more importantly, safety. Some Hong Kong audience witnessed a horrible accident at a concert recently; they were there for relaxation and entertainment. People fly not just for leisure, but all travellers should want a pleasant journey, not one marred by hiccups, or worse.

Make it a better place to live, or to visit

Housing for residents

Much has been said over many years, but land and housing remain one major problem for the Government to tackle.

Issues and problems have compounded over the years. We should not expect the new Administration to solve them all in one click. We do expect the Chief Executive to set out his views and vision on how to approach those issues and problems, from measures to achieve some early “quick wins” to plans that are for implementation in the longer haul.

Streamlining approval procedures, more flexibility in transferring plot ratios, enabling developers to offset or be reimbursed for costs incurred in providing basic infrastructure to requirement could all mean a quicker cycle to bring housing units to the market.

Sub-divided flats – *tang fang* – cannot be a Hong Kong pride. In this Policy Address the public will have interest to know how the Chief Executive is to rid the practice.

For those seriously in need of public rental housing, the promise of a three-year waiting time must be better kept. The queue is now a wait of six.

In the longer term, the Northern Metropolis concept provides an arena for the Government to up its game in fashioning new towns with strategic importance to the Hong Kong economy and

where people will aspire to live and work there.

Attractions for staycationers and vacationers

The ETOs, TDC, IvestHK, The Tourism Association, and business chambers and industry associations alike can do their part to re-market Hong Kong as a desirable place to do business, to visit or to live.

Not having been able to travel during the pandemic, many Hong Kong people have sought to do staycations. They will learn to savour the city more if there is a better cityscape for them to savour. The new museums are a good start. It is worthwhile to keep developing local tourism. Better road surfacing to rid the potholes, and nicer pavements that won't trip people over or sprain their ankles are little things that can go a long way to make people like the place. Visitors and tourists should like that, too.

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