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Chief Executive

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9 August 2024

Dear Chief Executive,

HONG KONG – ASIA'S WORLD CITY

The British Chamber of Commerce in Hong Kong (“the Chamber”) has a long history of constructive engagement with the Government. In doing so it sticks to business, contributes to policy; and stays out of politics. As the new Chairman, I want to work hard to maintain that tradition.

Whilst Hong Kong has weathered many storms in recent years and that has impacted the way in which the City is perceived at home as well as abroad, the Chamber has always been very determined to help improve perceptions and promote the strengths of this vibrant city as Hong Kong is the home to many of the Chamber's members who live, work, study and play here.

The Chief Executive's Annual Policy Address provides a great opportunity for our members to discuss and debate things that matter to their businesses and what will help Hong Kong thrive in an increasingly competitive and uncertain world. Our Policy Address Submission this year covers a broad range of policy proposals, and we welcome the opportunity to engage with your Policy Unit as we develop our thoughts/ ideas further. The Chamber's focus for this submission are policy areas where we can take action to promote and reclaim Hong Kong's competitive position as:

A Leading International Trade and Financial Centre: To excel in global trade and investment, countries need to create and maintain a hub that is both trustworthy and attractive to investors and trading enterprises with rule of law. That hub in China is Hong Kong. We believe that being the best and largest sustainable finance hub in Asia will support Hong Kong's goal of continuing to lead as an international trade and financial centre.

The Superconnector between China and the World: We encourage the Government to raise Hong Kong's profile as an international insurance centre and Sustainable Finance Hub. We also suggest that Hong Kong's position in the Greater Bay Area (GBA) should be strengthened further by pushing

for more cross-border connectivity schemes. We must utilise the competitive advantages of Hong Kong to seize opportunities and create linkages with the World and Mainland.

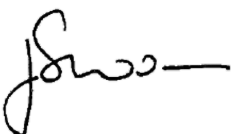
A World-leading International Talent Hub: The focus on policies to help nurture, retain and attract talent locally and overseas and push for more diverse and inclusive society is needed to ensure we are providing enough incentives for talent to come to or remain in Hong Kong. We must ensure that we maintain one of the highest standards of English among cities in Asia as this is the most widely spoken language in business and trade, diplomacy, creative industries, scientific and academic research; and a perception wherein multilingual requirements does not become deterrents for international talent or visitors.

Hong Kong introduced the brand 'Asia's World City' in 1999 and arguably it became one of the strongest city brands internationally. The Chamber believes that this remains the right positioning for Hong Kong, however new meaning must be embedded to reflect today, the next 25 years and beyond.

The brand 'Asia's World City' can and should serve as a unifying platform and collective vision for the many government initiatives that will propel Hong Kong forward. A skillful reinvigoration will set out an ambitious vision to secure Hong Kong's position as the leader in Asia so that it can rightfully be considered alongside other world cities such as London and New York. This message should be communicated consistently across all Government's work so as to provide clarity to businesses and citizens across Hong Kong and around the world.

I hope you find our proposals helpful, and the Chamber welcomes any conversations with you and your Administration regarding our suggestions. We look forward to meeting you at our Annual Summit later in the year.

Best Regards,



Jeremy Sheldon, FRICS

Chairman

Cc: Paul McComb, Executive Director, The British Chamber of Commerce in Hong Kong

Christy Ng, Head of Government Relations, The British Chamber of Commerce in Hong Kong

Policy Proposals

The Government has been open to consulting and considering ideas for policy changes aimed at strengthening Hong Kong's competitive position as an international trade and financial hub, as well as fostering an environment conducive to technology and innovation.

The Chamber proposes the following policy measures to achieve this:

1) Leading international trade and financial centre

- Actively engage the UK Government for the establishment of an electronic system for the settlement transfer of securities which are listed on both LSE and HKEX between Hong Kong and London and urge the UK Government to address potential regulatory barriers in the process through bilateral conversations.
- Consider introducing a 'Returning Asia HQ to HK' subsidy or incentive programme, to attract new or previous companies to set up regional or global headquarters in Hong Kong, further re-establishing Hong Kong as a leading financial hub, and to complement the Government's company re-domiciliation initiative.
- Work with Central and provincial governments to establish a cross-border framework for the digitalisation of trade contracts to help deliver payments so as to enhance bilateral and regional supply chain finance. This could be achieved through the development of a new framework or through adopting and supporting the development of an existing prototype framework such as M-Bridge.
- Expand the scope of the Capital Investment Entrant Scheme (CIES) which currently only contains seven Permissible Investment Asset Classes, for example including long-term life insurance products. It will provide more options for potential global investors, additional talent and capital to Hong Kong, and increase the long term retention of investment capital in the city.
- We applaud the Government's effort in promoting diversified fund structures over the past few years and are very pleased to know that the number of registered open-ended fund companies (OFCs) has more than doubled last year. We strongly support the extension of the Grant Scheme for OFCs and Real Estate Investment Trusts for three years to attract more funds to domicile in Hong Kong.
- Work with the Mainland authorities to build a more holistic offshore RMB ecosystem for international investors and corporations by increasing the supply and issuance frequency of offshore RMB bonds in Hong Kong. Suggested measures include:
 - a) establishing a central RMB bill/ treasury bond issuance schedule to facilitate market with planned issuance size and schedule adhered to, in order to support establishing benchmarks across various tenors spanning 3 months to 10 years and with a pricing mechanism based on market-driven levels;

- b) issuing offshore RMB bonds with longer maturities (i.e. 5-10 years) for investment tenors of fund management companies and insurance companies in order to meet market demand;
- c) including domestic bonds (including treasury bonds and policy bank bonds) held by foreign investors under Bond Connect in the clearing house's scope of eligible non-cash collateral;
- d) increasing trading quotas of market-making banks under Southbound Bond Connect to facilitate increased liquidity; and
- e) expanding the scope of qualified investors to allow corporations, insurance companies, asset managers, and family offices to participate in investments through Bond Connect or direct investment in the interbank bond market.

In terms of Hong Kong's role as a global trade hub, Hong Kong will continue to be a major world container port for some years, however there needs to be a frank discussion around the future of the Port - whether it is possible to reverse its decline and if not, how does Hong Kong best plan for, anticipate and address the challenges presented by this structural change and, crucially, seize any opportunities generated by this restructuring.

We see opportunities for Hong Kong and GBA governments to partner for a "true" GBA port project which incorporates the needs of both Hong Kong and Shenzhen and could showcase the potential for cross-boundary policy implementation. The West Shenzhen port facilities at Shekou, Chiwan and Mawan are also in congested urban areas, increasingly focused on residential and hi-tech commercial property. Moving the cargo handling elements to another location, whilst preserving the cruise and passenger facilities, would likely also provide a range of economic and environmental benefits for Shenzhen.

We recommend that the Government together with relevant GBA governments undertake a feasibility study for the relocation of Hong Kong and West Shenzhen port facilities. The wholesale relocation of the port to a greenfield site, would allow it to benefit from new state of the art facilities, and as importantly, would free up the Kwai Tsing site for much needed housing and commercial development.

Securing a role for Hong Kong for the physical handling of maritime and hence shipping, is also synergistic with retaining its position as a bunkering port and possible future hub for 'green' fuels (low carbon/ zero carbon), which has been identified in the Government's Action Plan on Maritime and Port Development Strategy, December 2023.

2) The Superconnector to the World and to Mainland

The term 'Superconnector' captures the competitive advantages of Hong Kong and this needs to be further promoted and facilitated in the GBA, the Mainland and internationally. As mentioned in the 5 major areas of work by the Chief Executive at the 2024 National Security Education Day, we support the idea that we should "capitalise on Hong Kong's distinctive advantages of enjoying strong support of the Motherland and being closely connected to the world, and to create unlimited opportunities for Hong Kong". We encourage the Government to continue its external engagement with counterparts in the GBA and globally to push for more cross-border connectivity and schemes that encourage easier economic activities across borders.

- The GBA / the Mainland

Since its announcement and development, we have seen tremendous positive changes in the GBA with significant subsidies and facilitation initiatives to businesses and people. However from Hong Kong's point of view, we still see much room for improvement in areas such as data access and capital flow etc. which could have significant operating challenges for businesses, especially companies with global structure. Therefore, we suggest to:

- a) Further enhance the Wealth Management Connect (WMC) scheme, and allow the participation of insurance companies and inclusion of investment-linked insurance products. This is imperative as continued enhancement will strengthen the financial connectivity between Hong Kong and Guangdong. In the short term, expanding the product scope to include bonds, gold, SFC regulated securities and structured products with a wider range of risk scores should also be considered;
- b) Work with the Mainland governments to use the GBA as a pilot site to create a government-sponsored, user consortium-owned (similar to China UnionPay's shareholding structure) cross-border data exchange platform to facilitate cross-border data transfer and sharing. The model should be centred around participating banks providing the required cross-border data which would be encrypted centrally by the platform. The encrypted data can be shared with intra-GBA recipients to promote more efficient and secure cross-border financial data exchanges. Further suggestions around data transfer will be covered in the Annex;
- c) Accelerate the establishment of the post-sales insurance service centre. It will largely facilitate Hong Kong players' fulfilment of commitments on premium services to Mainland Chinese policyholders; and
- d) We greatly support the most recent announcement that non-Chinese permanent residents of Hong Kong will be eligible for Mainland travel permits as well as the expansion of visa-free entry to the Mainland to a further six European countries and

Australia. This facilitates the ease of business and individual travel and promotes two-way travel, bringing further indirect benefits to Hong Kong in its role as a Superconnector.

▪ International insurance centre

The Chamber supports the proposals of the Hong Kong Federation of Insurers (HKFI) to introduce policy reforms and implement programmes to develop Hong Kong as an international insurance centre. These proposals will generate employment and offer an opportunity for collaboration between Hong Kong and the UK, a core mission of the Chamber.

- a) London is widely recognised as the current global capital of insurance, while Hong Kong has the potential to become a major risk management centre, especially for Greater China. We encourage the Government to foster collaboration between the Hong Kong and UK insurance sectors; dialogue between Hong Kong and the UK regulators, insurance industry bodies, and insurers. This allows us to meet shared policy priorities, for example:
 - i. deploying insurance capital into the real economy and green assets;
 - ii. attracting more human capital into the insurance sector; and
 - iii. acting as a risk management offshore centre to the Mainland.
- b) To achieve closer collaboration, deeper dialogue, and exchange of best practices and information in terms of InsurTech, insurance product innovation, etc., we welcome the Government's support in terms of incentives and investment in annual insurance sector flagship events in Hong Kong and London, HK-UK insurance sector working groups built around agreed themes, etc. The Chamber and the Hong Kong Federation of Insurers have already started dialogue with the Association of British Insurers, and we welcome further discussions with the Government.

The Chamber supports the HKFI's proposed policy recommendations for changes to regulations as well as proposals requiring budget support, including:

- a) Increasing enterprise capacity and human capability of the insurance sector:
 - i. Outline financial assistance packages for insurance groups to set up regional headquarters in Hong Kong and/ or establish new business lines in Hong Kong;
 - ii. Establish a one-stop supporting ecosystem for businesses to set up broking and underwriting units in Hong Kong including office rental/ business consulting/ talent recruitment;
 - iii. Create a platform branded as "Insure-HK" on industry promotion and deliver a one-stop information portal of helpful insurance solutions; and

- iv. Provide subsidies and other grants to insurance groups to establish new capabilities and new insurance jobs in Hong Kong.
 - b) Promoting public-private collaboration on infrastructure by removing the conservatism in the current Pillar 1 HK Risk Based Capital Framework (HKRBC) charge for infrastructure equity, permitting the use of Internal Ratings for infrastructure debt investments, and recognising the diversification benefits from infrastructure debt and equity.
 - c) Fast-tracking legal mechanisms and securing Bermuda concurrence for international insurers to re-domicile in Hong Kong as the initial implementation case for what is expected to be multi-sector, multi-jurisdictional legislation enabling Hong Kong re-domiciliation.
 - d) Providing incentives under HKRBC to invest in Green and Sustainable Finance (“GSF”) instruments by introducing a further diversification benefit for GSF instruments (both debts and equities) against non-GSF instruments in quantification of capital risk charges (credit and equity) under HKRBC framework.
- International sustainable finance hub
- a) The Government should take steps in working with national and regional authorities to establish a mechanism for data exchange as there is currently a lack of cooperation among local, regional and national carbon markets. The newly relaunched China Certified Emissions Reductions (CCERs) presents an opportunity for Hong Kong to connect Mainland’s carbon markets with Core Climate and other international voluntary carbon markets. Trading channels such as Stock Connect and Bond Connect can potentially be the solutions for foreign investors to acquire CCER-related products.
 - b) The Government is encouraged to actively review and develop Hong Kong’s current Voluntary Carbon Market model to consider high-quality nature-based carbon credit projects, including blue carbon. Recommending that a Nature-Financial Risk Management guideline is developed (could be via a consultation with the TNFD HK company signatories & HKMA). An Enhanced Competency Framework on Green and Sustainable Finance (ECF-GSF) was published by HKMA in July 2023, that is currently at the core-level. While the ECF-GSF mentions nature-related risks, it is suggested that HKMA’s existing SPM-1 climate risk management module is complemented with nature-related risks, leveraging more industry associations and partnerships with authorised institutions.
 - c) The Government should also develop and publish a pipeline of projects, with accreditation from the HKQAA: By publishing a pipeline of projects over 5+ years, our role as a regional infrastructure finance hub can be signalled and backed by multiple investable opportunities. This pipeline will attract expertise and investment into Hong Kong – which can then be exported throughout the region.

3) World's leading international talent hub

While there is global shortage of talent, the Chamber applauds the efforts of the Government in admitting talent via various talent admission schemes. Based on recent figures, 120,000 individuals have come to Hong Kong over only 6 months, and more than 50,000 have arrived under the Top Talent Pass Schemes (TTPS). The Chamber is also pleased to see the great success of the Global Talent Summit in May this year.

We acknowledge that this war for foreign talent will be a long-term battle, with Hong Kong falling two places down to 16th in the World Talent Ranking 2023 by the International Institute for Management Development ¹, and criticisms around the results of TTPS for not being international enough, there is a lot to be considered by the Government in terms of recruiting, nurturing, educating and retention measures:

- Recruiting: Welcoming policies for talent

As of February this year, TTPS recorded 10,810 applications. We note that two-thirds of the successful applicants are from the Mainland and up to 95% of the rest are said to be Chinese nationals living overseas. We understand that TTPS was designed to attract foreign high-earners and recent graduates. We also recognise that new talent who are Chinese citizens can have a higher chance of staying and creating value for Hong Kong and the country.

However, it remains crucial for Hong Kong to maintain its image as a 'global' and 'international' business hub as this differentiates Hong Kong from other places in the world. If Hong Kong wants to attract highly desirable innovation and technology (I&T) and life sciences players and research centres it must offer targeted incentives to these organisations to establish a presence in Hong Kong, such as favourable land lease terms, low upfront initial costs, rental subsidies etc. The diversity of thought that arises from having a more varied workforce is critical to retaining this status and a key enabler of the move towards becoming a home for I&T. We strongly recommend the Government to devise measures to attract a more diverse pool of talent through the following proposed measures:

- a) Enabling a corporate working visa programme that is more inclusive for overseas talent attraction could support a more sustainable business ecosystem as it remains challenging for large corporates to have foreign professionals qualify for working visas

¹ <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3235311/hong-kong-drops-16th-place-global-talent-ranking-lagging-behind-regional-rival-singapore#>

despite current policies having created a more supportive environment for entrepreneurs and innovation.

- b) Providing more subsidised local language courses for recently landed talent could help to support talent retention strategies, for example: work with continuing education institutions to provide Cantonese or Mandarin language courses.
- c) Working with the business community to foster joint initiatives that enhance English language proficiency within Hong Kong's education system. Education First's 2023 English Proficiency Index ranks Hong Kong 29th worldwide and 4th in Asia behind Singapore, the Philippines, and Malaysia². With the top performing age group in Hong Kong being 31-40, high English proficiency may be in danger of aging out of the local workforce without further policy measures. We should leverage our distinct strength in education, work with existing mature international school and university sectors alongside multinational businesses in Hong Kong, devise new models for integrating real world skills, overseas study opportunities, and global exposure into local and private, and international schools.
- d) Further extending the Continuous Education Fund programme (CEF) to non-permanent residents who guarantee to work in Hong Kong for a certain period of time post obtaining CEF recognised qualifications (i.e. 12 months).
- e) Tailoring TTPS to cover additional/ missing skillsets in Hong Kong by broadening the pool of universities. Currently only graduates from a top 100 university can get a 24-month visa approved without an offer of employment.
- f) Running more frequent international graduate roadshows across a breadth of courses/skillsets to attract the right talent; and
- g) Running bolder and wider promotion of the more streamlined setup process for foreign talent in Hong Kong. In comparison to other hubs such as the UAE and Singapore, Hong Kong has far more streamlined setup processes, for example, opening bank accounts is much easier than in the UAE and there is no local director requirement like there is in Singapore.
- h) We recognise Government efforts in promoting STEM education at primary and secondary levels, but as mentioned in our previous Policy Address Submission³, female underrepresentation in science, technology, engineering, and mathematics (STEM) is prevalent in Hong Kong, contributing to a shortage of talent and limiting technology growth. Further measures should be introduced to increase female representation in STEM fields, we recommend:

² <https://www.ef.com/assetscdn/WIBlwq6RdJvcD9bc8RMd/cefcom-epi-site/reports/2023/ef-epi-2023-english.pdf>

³ [BritCham Policy Address Submission 2022.pdf](#)

- i. Encouraging more females to specialise in STEM subjects at secondary school and in higher education through school and university grants.
- ii. Incentivising women to take up STEM teaching positions in Hong Kong and raise the profile of women in STEM for students.
- iii. Expanding and diversifying the STEM talent pool by offering subsidies for schools and companies to encourage more female applicants and participants.

▪ Nurturing: Support career advancement

As the Chamber has previously raised, it is important to keep local talent and train them to fulfil new requirements for the job market. We recommend the Government facilitate collaboration between educational institutions and industry stakeholders for skill and career development. Reference could be taken from the Pilot Programme to Enhance Talent Training for the Asset and Wealth Management Sector⁴ and the Pilot Green and Sustainable Finance Capacity Building Support Scheme⁵ and replicated across other industries/ professions. Examples listed below:

- a) Financial sector: Develop more specialised courses with evolving needs of the financial services sector, particularly in fast-growing areas (e.g. fintech, green finance, digital banking and wealth management), as well as internship and vocational placement programmes;
- b) Technology sector: Currently the TechTAS provides a fast-track arrangement for eligible companies to admit non-local technology talent to undertake research and development work in Hong Kong. The Chamber proposes that the scope of TechTAS should be expanded to include non-research and development work; and
- c) Insurance sector: Introduce a pilot Industry-wide Management Trainee Programme aiming to build the local pool of talent via a series of professional local and overseas training. Following the launch of this Management Trainee Programme, set up the College of Insurance, which will provide local insurance qualifications.

▪ Educating: Building future talent

Whilst the Education Bureau oversees a robust screening process that safeguards the integrity of the education sector, current oversight arrangements act to restrict intelligent adaptation and threaten competitiveness. Consideration must be given to the furthering of operational autonomy if we want to maximise the evident potential of Hong Kong's

⁴ <https://www.wamtalent.org.hk/eng/about/overview.html>

⁵ <https://www.greentalent.org.hk/Individuals>

outstanding network. We believe that a key priority should be a review of the regulatory framework governing the international and private education sector, with a stated aim of granting Hong Kong's international and private schools support across government departments to ease access to land allocations and licenses that support the growth in the sector in order to meet the increase in demand that the sector is seeing within the Hong Kong community and beyond.

Currently, the Education Bureau's oversight of all schools, including private international institutions, has not been able to solve a mismatch between supply and demand. International school places are limited based on restrictions imposed on enrolment by passport, and yet we see utilisation rates over 90%; in contrast, we see local schools being closed due to declining birth rates. This constrains Hong Kong's ability to cater to the diverse needs of its varied, globally-mobile population. By easing regulations, and empowering international schools to innovate, the Government can ensure a breadth of quality educational options that will keep Hong Kong attractive to multinational corporations, international investors, and top global talent.

- Retaining: fixing problems of skill and interest mismatch

Despite labour shortage being a global issue, the Chamber members face not only difficulties in attracting suitable talent but also in retaining the right talent. One major reason could be skill mismatch; the Chamber suggests:

- a) Enhancing mutual recognition of professional qualifications and simplified visa processes between Hong Kong and the GBA to facilitate talent mobility and expand talent pool;
- b) Subject to the Personal Data (Privacy) Ordinance, granting access to the database of candidates who have been issued work permits and are eligible to work in Hong Kong as part of the various government talent schemes to facilitate talent matching;
- c) Granting incentives such as tax deductions to employers to encourage them to invest in upskilling their workforce; and
- d) Providing incentives to encourage the re-entry of stay-at-home parents e.g. grant tax deduction or government subsidies for hiring domestic helpers/ caretakers.

Talent do not solely make career decisions based upon the nature/ package/ exposure of the work itself; rather there may be wider reasons around work culture and environment, the living conditions for individuals or families and perceptions of the work location. The Chamber suggests:

- a) Tackling the negative sentiment of Hong Kong: Chamber members have shared that they are often asked if Hong Kong is safe to live in or travel to. The Chamber and its members all know that Hong Kong is incredibly safe. However, the geopolitical environment, the pandemics, and the introduction of local national security legislation, has dominated media and political coverage for almost 5 years. Specific measures to tackle this sentiment and restore positivity around Hong Kong are explored further in ‘3 Commitments: Reassuring Hong Kong’s Future’.
- b) Promoting a social/ work culture that values diversity, equity and inclusion (DEI) to match the needs of the suitable talent. Many developed countries have progressed further in their commitments to DEI. The Chamber sees opportunities for the public sector to work with the private sector to establish Hong Kong as a thought leader in Asia as evidenced by our DEIB Symposium earlier this year. The Chamber has submitted a DEIB letter to the Government in early July, we recommend:
- i. Recognising same-sex marriages; and
 - ii. Recognising the role of primary and secondary caregivers (e.g. baby adoption for same sex couples, instead of current eligibility requirements such as statutory paternity leave.
 - iii. Make parental leave applicable for “male employee with child born”, and maternity leave applicable when “she has given notice of pregnancy” and/or for “female employee with child born”.
- c) Improving quality of life requires ongoing focus given employee expectations about flexibility at work. The Chamber recognises the Government’s commitment to address housing issues in Hong Kong which will be discussed later in this paper. Providing a good work life balance to talent in Hong Kong is crucial. We understand that the ease of implementation for these suggestions on companies will be shaped by the capacity and capabilities of individual companies. In the case of smaller-sized companies, there may be a significant impact on operations, particularly since the domestic economy is still in a period of recovery. However, we suggest that the Government begins to consider the matter of flexibility at work and how it pertains to talent acquisition. Further elaboration of the following suggestions will follow in Annex under “Improved Social Welfare” section. These include:
- i. Increasing paternity leave from 5 days to 6 weeks to help foster a sense of shared responsibility within households;
 - ii. Increasing maternity leave from 14 weeks to 20 weeks to allow women to recover fully from postpartum and develop a bond with a newborn before getting back to work; and

- iii. Providing government funding for after school clubs or childcare services which would benefit families with low incomes or where both parents work full time.

3 Commitments: Reassuring Hong Kong's Future

1) Commitment to: Boosting Economy

As the Chief Executive has said, “forge a better integration of a capable government and an efficient market, to pursue more results, develop the economy and improve people's livelihood” is the first goal of the new themes for Hong Kong. The Chamber believes there is currently a lot to be done both by public and private sectors to boost domestic consumption and tourism. As small and medium enterprises (SMEs) constitute over 98.5% of Hong Kong's business units and accounts for over 40% of private sector employment, the Chamber is delighted to know that supporting SMEs becomes one of the major five themes this year. We have always believed that by supporting more SMEs to thrive in Hong Kong, R&D and innovation will accelerate with broader economic benefits.

- Tourism / retail

Inbound tourism numbers remain stubbornly low at 40% below pre-pandemic levels⁶. Hong Kong has dipped to 5th in the city destination rankings for APAC⁷. There is an urgent need to increase footfall. The Chamber previously proposed in our Talent Whitepaper, Policy Address Submission and Budget Proposal in 2023, that the Government release a forward timeline for major events in Hong Kong. This would provide greater clarity to residents and visitors about the activities available in Hong Kong, thus making it easier for people to plan ahead, as well as easier for corporates to get engaged. It is encouraging to see that the Government now releases the event pipeline twice a year. However, there is much more to do to pick up the lost crowd in Hong Kong, we propose the following ideas for consideration to support tourism and local consumption:

- a) The Government to support additional mega events (sports events and concerts) to increase footfall; with the Kai Tak Sports Park to be opened in 2025, we hope to see a pipeline of world-class events to be announced. Engagement with the business

⁶ <https://hongkongfp.com/2024/06/18/hong-kong-logs-3-4-million-visitor-arrivals-in-may-57-of-pre-covid-levels/>

⁷ <https://www.euromonitor.com/press/press-releases/dec-2023/euromonitor-internationals-report-reveals-worlds-top-100-city-destinations-for-2023>

community when devising event programmes which will enhance the opportunities for corporate sponsorship. During periods where the Sports Park is not being used for mega events, the Government can also consider renting the space to schools or business organisations to ensure we fully utilise the space;

- b) We applaud the Government's efforts to bolster tourism through social media campaigning on RED "XiaoHongShu", TikTok, Instagram, Weibo etc. and support the continuation of this initiative, inviting overseas celebrities, influencers and advertising to promote Hong Kong as a "safe + fun place" or "a place with unique travel experiences, nowhere else in the world can offer this";
- c) Extension of public transportation opening hours. In view of the 'Night Vibes' initiative by the Government, propose to expand the opening hours of public transportation during weekends, including MTR lines, mini-bus services, etc. This will encourage more residents to rely on these modes of transportation, other than private cars, taxis, and the night bus services after activities.
- d) Levelling up Hong Kong's ride hailing facilities to 2024 standards. Allow DiDi and Uber onto the market and set a timeline to force the monopoly taxi company to enable customers to pay digitally and to rate and give feedback for every ride. Many global cities have enabled ride hailing facilities to modernise and improve the quality of public transportation and travel options for citizens, as well as tourists. Currently, Hong Kong's taxi company mostly accepts only cash payments, and has no feedback system for customers for drivers; and
- e) Promote contactless credit payment as the standard for all public transport. Given the push towards digital forms of money, the movement away from cash in public transportation would support Hong Kong's smart city & digital agendas and align with the global financial hub image.

We also should not overlook the current trend of Hong Kong's local residents moving away from local consumption and increasing their spending in the Mainland. Immigration figures show that more than 80% of Hong Kong residents' departures were destined for the Mainland. Provisional data from the Census and Statistics Department in late May showed retail sales for April fell 14.7% from a year earlier, partly due to a drop in visitor spending and a large number of outbound trips during the Easter holidays. It is estimated that Hong Kong residents' spending in the Mainland amounted to about 10% of the city's retail sales by late 2023⁸ and as local media has recently reported in more recent months, many local residents find it more worthwhile to spend their weekends in the Mainland ("spending less but higher

⁸ <https://www.eiu.com/n/hong-kong-mainland-bound-tourism-undermines-local-retail/#:~:text=Immigration%20figures%20show%20that%20more,retail%20sales%20by%20late%202023.>

quality food and service”), the Chamber is worried that this trend will continue which in turn will lead to further challenges for Hong Kong businesses.

Rent is at an unsustainable level for retail and hospitality businesses, otherwise borne by consumers; this continuing problem is structural in nature and cannot be warded off by individual businesses adopting measures to improve customer service standards or further digitalisation. Rather, high fixed rents in the city are forcing many businesses to close as they struggle to recover from financial burdens lingering since the pandemic years and a lack of footfall recovery. The Federation of Restaurants and Related Trades estimates that 200-300 restaurants were forced to close in the last month alone⁹. Therefore, we propose:

- a) Working alongside property developers and landlords to keep rents low and stable for retailers and F&B businesses. For example, an initiative could be introduced which awards and recognises landlords’ efforts in offering affordable rents or to support economic revival. This may encourage more small landlords to charge fixed rent rather than turnover rent with tenants who are not major brands.
- b) Providing subsidies or grants to struggling businesses to prevent further closure; we understand there could be concern around how the funding will be used or will that lead to an abuse of the funding scheme, we suggest that the Government consult the retail industry regularly for ways to reduce misuse of public funds and to have better assessment of how to allocate the funding.
- c) Providing incentives to tourists to spend more in Hong Kong by providing unique experiences upon sufficient purchase or spending e.g. partnering with some exhibition centres or entertainment organisations, if visitors spend a certain amount in Hong Kong in valid restaurants and shops locally, they can have free/ discounted tickets to different experiences at concerts/ shows/ exhibitions/ workshops.

- Support for SMEs

The Chamber supports the continuation of the SME Financing Guarantee Scheme; providing financial support for targeted players and SMEs in the retail and tourism industries to automate operations, e.g. adopting e-payment services, etc.

⁹ <https://www.thestandard.com.hk/section-news/section/17/262619/Lowering-cost-the-aim-of-labor-import>

2) **Commitment to: Better Quality of Life**

The Chamber believes that improvements to people's quality of life will improve productivity and bring about wider economic benefits. In the following paragraphs, we will cover suggestions on the healthcare system, infrastructure, and housing issues in Hong Kong.

Healthcare

▪ Public healthcare

- a) Amend HA Charter to enable it to monetise data and technology assets it has developed. Accelerate speed at which the (anonymised) healthcare data held by the HA can be made available at a cost to private sector entities (e.g. pharmaceutical companies) for R&D and drug formulary listing assessment. HA's technology assets (e.g. clinic management systems) can be monetized by external sales. This will improve the HA budget and enhance Hong Kong's position as a centre for healthcare R&D and access to innovations.
- b) Explore a more creative approach to healthcare financing. All sectors need to take on the appropriate levels of risk for the remuneration/costs associated – the private sector needs to be properly engaged and incentivised to meaningfully contribute to desired outcomes.
- c) Encourage wider adoption of insurance policies, particularly VHIS policies which do not incentivise individuals to seek private sector healthcare due to low limits and the potential catastrophic personal financial risks if unforeseen complications arise. The Government should give consideration to an extension of insurance policies covering chronic disease, including cancer management.
- d) Establish a mechanism between the Mainland and Hong Kong for the import and export of bio-samples, such as blood materials, to facilitate cross-border collaboration.
- e) To tackle the problems of an overburdened HA system, we suggest:
 - i. Develop innovative financing solutions– referencing proven examples from other countries;
 - ii. Collaborate with insurers and private sector providers to significantly increase volume of outsourced services with appropriate financial risk sharing strategies;
 - iii. Remove incentives currently in place which direct patients to seek care in the public sector;
 - iv. Undertake more aggressive strategic purchasing for healthcare; and
 - v. Reduce personnel training cost by abolishing mandatory retirement and allow senior staff to stay longer in the public sector.

- Private healthcare
 - a) Enhance personal income tax incentives for individuals' purchase of life and illness insurance products. It will help close the significant protection gap for local residents as well as relieve the financial pressure on the public healthcare system.
 - b) Allow health insurance policies outside the VHIS to be offset against taxable income/ tax incentive for those who have done disease screening.
 - c) Work with various insurance providers to improve coverage on disease screening.
 - d) Consider introducing co-payment for public sector healthcare services: Currently, there is high utilisation of public sector healthcare services which have a relatively low out-of-pocket cost at the point of care. Co-payment will rationalise access to (particularly high cost) healthcare services, and this will have a positive impact on the healthcare budget. A safety net could be applied to exempt the needy from paying, consider asking insurers for a co-pay if "Hospital Cash" benefit is paid out to their policy holders – to avoid HA being used as a free risk-management tool. We understand domestic economic recovery is still underway and it could be burdensome for some individuals, therefore we suggest that consideration to be made taking into account the economic situation of Hong Kong.

- General health
 - a) Work alongside private healthcare providers to help develop user-friendly educational materials, such as brochures, videos and infographics to disseminate accurate health information. Insufficient attention is currently paid to disease prevention, diagnosing and tackling diseases early reduces the lifetime cost of care and leads to better population health.
 - b) Increase funding for health screening to enable early detection of any costly diseases.
 - c) Implement a comprehensive screening initiative for early lung cancer detection and CKD screening in CDCC/ DHC in alignment with international guidelines to prevent disease progression.
 - d) Reduce restrictions on medical advertising to allow private sector clinics to promote screening packages.
 - e) Take advantage of the increasing awareness amongst younger generations, engage further with them through social media platforms and influencers to deliver health messages effectively.
 - f) Update the patient protection system to address low barriers for generic registration and commercialisation, ensuring sufficient incentives for investment in R&D.
 - g) Establish special categories within the drug-listing system for "orphan drugs" and "end-of-life" treatments to streamline approval and reimbursement processes for drugs that meet critical needs.

h) Develop a comprehensive strategy for the HA rare disease database similar to the cancer registry, including a dedicated website for data access and updates, and outline specific goals such as data collection, improving clinical services, and generating real-world evidence.

▪ Mental health

Mental Health is a relatively new cost item in the health budget; Hong Kong's mental health system is currently mismatched to its population's needs; the ratio of psychiatrist to population is estimated to be 7.55 per 100,000 persons and 8.15 clinical psychologists to 100,000 persons trailing behind the OECD average¹⁰. Long waiting times have left many patients without adequate care and Hong Kong fell further from 77th in 2021 to 86th in 2024 in the United Nations (UN) World Happiness Report for 2024¹¹. The Government must urgently introduce some long- and short-term measures to properly address this important issue:

- a) Provide additional tax incentives for employers who offer mental health insurance coverage.
- b) Take reference of other countries' best practices to increase funding and resources for common mental health conditions.
- c) Work with local NGOs to increase awareness through campaigning.
- d) Recruitment, training, retention and qualification improvements:
 - i. Harmonise and improve regulation and recognition of mental healthcare support workers.
 - ii. Provide clearer definition to family practitioners to ensure that they enjoy the same benefits as the general practitioners, thus encourage people to take up relevant positions.
 - iii. Introduce legislation governing the licensing of clinical psychologists to ensure that individuals cannot call themselves a psychologist regardless of their education, training or experience.
 - iv. Collaborate with insurance providers to improve coverage on mental health.
 - v. Create a strategic plan for recruiting, training and retaining qualified psychiatrists and psychologists, including any professionals who received training overseas.
 - vi. Establish a special category under the Top Talent Pass Scheme for psychiatrists and psychologists to attract more foreign mental health professionals to Hong Kong.

¹⁰ https://ohkfweb.s3-hk.smartcloud.site/sites/default/files/media/pdf/OHKF_Mental_Health_Report_Print_booklet_Eng_Full.pdf

¹¹ <https://worldhappiness.report/ed/2024/>

Housing and Development:

▪ Housing

We applaud the Government's announcement in the 2023 Policy Address about providing more affordable housing to the public. We understand that the Financial Secretary forecasted a budget deficit of HKD 101.6 billion for the 2023-24 fiscal year. Therefore, we strongly suggest the Government consider collaboration with the private sector to provide affordable housing in the long-run. Building upon the model deployed for the PSSF – the role of the private sector in delivering affordable housing should be expanded, by integrating affordable housing obligations into conventional residential land development tenders – hence encouraging greater social mobility and integration.

In addition, as the Government is committed to the 70:30 ratio for public/ private housing, this may affect future land sale revenue for the Government. With more subsidised housing projects provided to the market, there may be an impact on the lower end of the housing ladder. We appreciate if the Government would examine this part of the Long-Term Housing Strategy on the supply ratio for public rental housing and flats for sale (both private and subsidized housing) with a study conducted by the Housing Bureau or other consultancy firms. Further suggestions of how to provide housing options catering to different groups of people in Hong Kong, for example, young talent and the elderly, will be covered in the Annex under the "Housing and Development" section.

▪ Development

The Chamber would like to propose the following ideas for consideration:

- a) Accelerate and streamline development & licensing approval processes: The Government may consider establishing a "Fast-Track Approval Process" task force for development, redevelopment, conversion, lease modification & F&B project submissions, to facilitate and encourage private sector investment across the real estate and hospitality sector. This may require multi-departmental integration and collaboration to expedite approvals (e.g. TP, BD, LD, HADLA, FSD and others) and serve to combat high-interest rate holding costs and project uncertainty while addressing the need for a holistic streamlined approach.
- b) Further expand the Standard Rate Land Premium system to encompass more sites across Hong Kong.
- c) Target specific priority projects for PPPs with clearly stated benefits, incentives, investment timeline and returns. By providing more clarity, this will increase the appetite of the market to fund projects with the Government.

- d) Roll out a flexible zoning approach across more sites to stimulate a wider mix of residential and commercial elements, foster creative design and enhance commercial viability. The increased zoning flexibility could be coupled with an improvement in the efficiency ratio for smaller sites (sub-4,000 sqft) to facilitate redevelopment and increase commercial viability of such sites, especially for residential redevelopment.
- e) Provide further clarity about the phasing of Northern Metropolis to attract investment. With the designation of key areas across the Northern Metropolis, the Government has made positive strides with the proposal for land granting and other mechanisms for developers/ end-users and in attracting new companies as part of the OASES initiative. At a subsequent stage, more clarity as to how the private sector can participate is required, land prices, flexible zoning, accessibility, and access to talent are critical components.
- f) Coordinate infrastructure procurement and development into a central entity. Assign responsibility for the procurement of infrastructure projects to a central agency that can apply best practices across the Government's portfolio of projects, particularly where these projects are delivered in partnership with the private sector. This will facilitate optimal value by ensuring that risks are properly apportioned and will maximise value and reduce costs to the Government. The agency should also re-visit Public-Private Partnership (PPP) guidelines in Hong Kong to ensure that they reflect the very best procurement models and pay particular attention to ensuring that procurement requirements are aligned to deliver net zero and embrace ESG priorities.
- g) Widen the funding models deployed by Government to fund infrastructure, i.e. expand Government infrastructure funding solutions beyond bond issuances and PPPs. Focus should be given to blended finance solutions, where the Government provides equity or guarantees to unlock further investment from the private sector. This is important given that much of Hong Kong's infrastructure programme is "early stage" infrastructure, where risks are high and subsequent cashflows accruing to the private sector are in the mid-term future. In these cases, financing costs could be reduced through blended finance mechanisms. Similarly, the Government could consider Availability Payment-based PPPs as an efficient means of unlocking more private investment into infrastructure rather than bundling real estate into the project which often precludes regional and international investors from bringing resources into the Hong Kong market. We strongly encourage FSTB to host workshops with stakeholders from the financial and real estate sector to discuss this as the funding strategy will likely require input from multiple disciplines.
- h) Last but not least, the Chamber applauds the Extension of Government Leases Ordinance allowing leases expiring in June of 2047 to be automatically extended for 50 more years. This provides certainty for existing businesses in Hong Kong as well as global investors.

3) Commitment to: Sustainability/ Net Zero Agenda

Robust sustainability policy is important for an international business hub, particularly given increasing reporting requirements on businesses and emerging international carbon taxes. Hong Kong has shown leadership in this area with the Climate Action Plan (CAP) 2050 and should seek to continue to lead through developing its climate strategy in order to tackle some of the more challenging emissions not currently covered by the CAP.

Previously, the Chamber has made Policy Address Submissions and then a separate set of more detailed proposals on various categories of measures for the Government to consider. This year, we have used a similar approach, categorising policy measures and then elaborating further in the Annex section under “Sustainability/ Net Zero Agenda” section. The Environmental, Social and Governance (ESG) Committee is keen to discuss how businesses can support the Government in future projects and measures with the Environment and Ecology Bureau (EEB) again this year:

- a) Support in the drive to use low carbon building material
- b) Develop policies to accelerate decarbonisation of scope 3 emissions
- c) Retrofitting of older buildings
- d) Transport (including Aviation, Maritime and Bus)
- e) Biodiversity
- f) Waste and Food Waste
- g) Transitioning to low global warming potential (GWP) Hydrofluorocarbons (HFCs)

Sustainability agenda matters to not only businesses and the Government but it is also the focus for the younger generation in Hong Kong. The Future Leaders Committee of the Chamber will separately submit a whitepaper focussing on ‘building sustainable cities and communities’ and ‘ensuring sustainable consumption and production’ to the Government later this year, as an outcome of a recent Impact Hackathon event organised and attended by a group of young professionals.

Annex

(Constitutional and Mainland Affairs Bureau / Innovation, Technology and Industry Bureau / Office of the Privacy Commissioner)

Data

- 1. Allow enterprises registered in Hong Kong to enjoy exemption from these data export requirements:** This will mean that there will be no need to apply/ file with the Mainland data regulator for exporting personal data to Hong Kong (except for certain important data relating to national security). Currently, personal data is highly regulated under Mainland data regulations (Personal Information Protection Law, Cybersecurity Law, Data Security Law). Many international organisations are concerned about burdensome data requirements when they consider doing business in Mainland. In particular, under the Guidance on Reporting Security Assessments of Cross-border Transfers of Data (2nd edition) and Guidance on Filing the Standard Contracts for Cross-border Transfers of Personal Information (2nd edition)¹², foreign data controllers may need to apply for security assessments or file standard contracts with Mainland data regulators before processing PRC personal data to provide services, unless an exemption applies. This exemption could help build Hong Kong as the data hub for Mainland, which in turn provides useful data resources conducive to Mainland's development. In the long-run, Hong Kong could serve as the data hub for international enterprises intending to do Mainland business and facilitate building "digital China" with quality data from international communities.
- 2. Promote AI innovation in the Mainland by leveraging the "Ethics framework" in Hong Kong:** There is potential for Hong Kong to become a research hub for "ethical and responsible use of AI and data", given the broad access to diverse, international media, free flow of information and people. Globally, leading economies are creating frameworks and regulations requiring enterprises to conduct "ethics reviews" before deploying or using innovative projects (such as AI and life science technology). In particular, the Mainland has already issued the Draft Trial Measures for Ethical Review of Science and Technology and the Interim Measures of the Management of Generative Artificial Intelligence Services (2023), and the EU AI Act will be effective in 2024. Despite these new rules, enterprises find it hard to benchmark what is "ethical" or "responsible" innovation or use of data. Further, each market has its unique interpretation of what is "ethical" or "responsible" for business use of data/ innovation.

¹² https://www.cac.gov.cn/2024-03/22/c_1712783131692707.htm

3. **Enhance cybersecurity to international standards for critical infrastructure:** This will help position Hong Kong as a competitive and reliable international financial/ data/ innovation hub. Currently, Hong Kong does not have the cybersecurity law to impose essential requirements for critical infrastructure to prepare for security incidents (although Hong Kong has proposed to amend its personal data law to require mandatory breach notification since 2020, such amendment is not yet effective). As the economy becomes more digitised, the consequences of security incidents to critical infrastructure (e.g. utilities, energy) could be very severe.

(Environment and Ecology Bureau / Agriculture, Fisheries and Conservation Department / Environmental Protection Department)

Sustainability / Net Zero Agenda

1. **Support in the drive to use low carbon building material:**
- a) With the increase of public building works expected in the coming years i.e. Kau Yi Chau and Northern Metropolis, the Government should consider the use of low carbon steel and cement to reduce the embodied carbon of the built environment as well as drive the demand in the market to incentivise an increase in supply of these materials.
 - b) Introduce a clear public procurement specification to incentivise or mandate use of low carbon construction solutions and materials, such a specification would utilise the Government's purchasing power to stimulate a market for green cement and steel.
 - c) Provide guidance of best practices to the private real estate sector, drawing on both global and local initiatives, and building on the momentum created through public procurement. Examples include the World Green Building Council's Advancing Net Zero (ANZ) initiatives¹³, HK Green Building Council Climate Change Framework for Built Environment¹⁴ (Chapter 2 Embodied Carbon) and CIC Decarbonisation Roadmap¹⁵, which includes tools developed to quantify and track embodied carbon emissions, e.g. Carbon Assessment Tool and Green Product Certification, are all available resources.
 - d) In addition to the Development Bureau's technical circular/ guidance, a more systematic and holistic approach to public works contract clauses that incentivise supply chain decarbonisation is required. The free-to-use UK Chancery Lane Project¹⁶ resource is recommended as a reference in this area.

¹³ <https://worldgbc.org/article/2023-advancing-net-zero-status-report/>

¹⁴ <https://general.hkgbc.org.hk/download/ccf/index.php?ref=33994002>

¹⁵ <https://www.sc.cic.hk/index.php/en/asc/low-carbon-construction-roadmap>

¹⁶ <https://chancerylaneproject.org/>

2. **Develop policy towards decarbonisation of scope 3 emissions:**

As part of expanding and evolving the city's strategy for decarbonisation in response to global trends, supply chain emissions will need to be addressed. Inclusion of scope 3 emissions into the strategy would help focus policy development and provide more certainty for businesses committing to science-based targets, including hard-to-abate industries like steel and cement.

Existing and planned infrastructure assets should be subject to review and their role in achieving net zero commitments should be clearly set out. Contribution of infrastructure programme in promoting net zero will require the development of a strategy and roadmap so that the business community can align resources throughout the infrastructure lifecycle.

3. **Retrofitting / Redevelopment:**

The energy used in buildings accounts for over 50% of the city's carbon emissions (excluding shipping and aviation). As part of minimising the cost of achieving carbon neutrality, retrofitting of existing buildings is a great way to reduce energy consumption, alongside decarbonising electricity supply, where it is economically feasible to do so. We recommend:

- a) The Government to consider expanding the scope of regulation regarding energy efficiency standards of building services installations;
- b) More frequent energy audits be applied to buildings;
- c) Information collected by Civil Engineering and Development Department (CEDD) on energy audits of buildings should be published and be used to identify low efficiency buildings and support the drive to improve energy efficiency in these buildings;
- d) Energy efficiency of a building should be put into a rating scheme similar to what is done in the United Kingdom when transactions occur; and
- e) Encourage Sustainable Revitalisation and increase mortgage-ability of Hong Kong's ageing building stock: Hong Kong has 9,500+ buildings aged 50 years or older, we acknowledge that the Legislative Council has just passed the amendment draft on reducing threshold to 70% or 65% for proportion of owners who must agree to sell old private buildings over 50 years old in designated areas. We applaud the Government's announcement of the plan to set up an office to assist displaced minority owners with the aim to mitigating anxiety and minimising negative social impacts. The availability of mortgage financing is also key to ensuring people living in Hong Kong can purchase residential property suitable for their needs. Current bank lending practices make it difficult to do so unless buyers do not require a mortgage to purchase. We suggest the Government take steps to:
 - i. incentivise and encourage private developers, owners and investors to sustainably revitalise old buildings to increase residential supply, contribute to the decarbonisation of Hong Kong's real estate sector and create a positive social impact. Other suggestions include awarding a "green reset date" for older buildings that are renovated to certain standards; and

- ii. consider revising HKMA guidelines and providing suitable insurance support to banks, enabling them to lend to a wider range of borrowers and secure a wider range of properties, including those over 50 years old. This may help older owners to release equity on these properties, and other buyers to acquire them.

4. **Transport:**

As a global financial centre and frontrunner in green finance, Hong Kong needs to continue to show leadership in decarbonisation. The Climate Action Plan 2050 sets out a clear strategy and targets for reducing carbon emissions from electricity generation, road transport and waste, but it does not address the more challenging areas of shipping and aviation, which together form a material proportion of the city's emissions. We suggest:

- a) Establishing a Government-led multi-stakeholder group to develop the transition plan for net zero aviation and shipping;
- b) Utilising data available from the International Civil Aviation Organisation (ICAO) and International Maritime Organisation (IMO) to establish and report on carbon emissions in these sectors with the aim to set targets and develop a clear strategy for reductions;
- c) For Aviation:
 - i. R&D for sustainable aviation fuel (SAF) needs to be funded and promoted. Dedicated innovation funds or financing options to support early-stage SAF production pathways at lower technology readiness levels need to be established. This includes supporting the creation of knowledge hubs and innovation centres to accelerate SAF development;
 - ii. De-risk first-of-a-kind SAF production plants. Establish contract-for-difference schemes to reduce the price gap between SAF and conventional jet fuels based on life-cycle assessment of GHG emissions. Establish a Government-backed price floor to support SAF provision during the early stages of deployment. Provide a combination of up-front capital grants, low-interest loans and favourable tax treatment for building and running first-of-a-kind plants;
 - iii. Support the scale up of SAF production, i.e. provide a combination of upfront capital grants and low-interest loans for the building and running of SAF production facilities to attract private investments, and create mechanisms to limit the volatility of SAF Feedstock prices for production routes; and
 - iv. Stimulate sustainable feedstock production and processing. Grant tax exemptions for SAF with a focus on the regional location of production and on the provenance of the feedstock, while ensuring strict sustainability criteria. Invest in comprehensive municipal waste collection infrastructure at scale and establish separate collection of organic waste to increase biomass supply. Similar to the Singapore and the EU, establish a form of SAF mandate from fuel providers and the airport authority.

d) For Maritime:

- i. Provide financial support for vessels flagged under Hong Kong that use dual fuel technology;
- ii. Provide policy support for leveraging Hong Kong's existing floating LNG storage and regasification unit for the provision of marine bunkering services; allowing Hong Kong's port to provide cleaner marine fuel options, similar to other regional ports such as Singapore; and
- iii. Providing electric plug-in power for when vessels are at berth.

5. **Biodiversity:**

Biodiversity is the foundation of our existence, supporting essential aspects of life. Over half of global GDP is dependent on nature. As the land and ocean also absorb over half of all carbon emissions, there is also an undeniable interconnection between biodiversity and climate change. Given the importance, the recent publication of the Taskforce on Nature-related Financial Disclosure's final recommendations has in regard to people's livelihoods, and we believe it is the right time to update the City's Biodiversity Strategy and Action Plan (BSAP). We have six practical recommendations in this area:

- a) Establish an objective baseline for the City's biodiversity impact through use of a methodological framework and key indicators such as the IUCN's Urban Nature Index. The Urban Nature Index¹⁷ comprises of 30 indicators across 6 themes developed to help cities understand their impacts on nature, set science-based targets for improvement, and monitor progress accordingly. This would be an excellent addition to the BSAP;
- b) Increase Marine Protected Areas with the goal of reaching the committed 30% coverage by 2030, this would be in-line with Mainland's commitment to 30% of its land and waters to be protected by 2030 under the Kunming Montreal Agreement. Hong Kong should be targeting for biodiversity hotspots that make up 30% of Hong Kong waters to be gazetted as MPAs by 2030, with an increase in no-take zones where neither fishing nor collecting are permitted;
- c) Revise Cap 170. The Wild Animal Protection Ordinance (WAPO) as it was drafted 40 years ago, consequently, it needs to be updated so as to cover all relevant species, for example, increasing the size of penalties to ensure they remain punitive and providing a greater level of clarity around certain offences;
- d) Build EPD capacity to ensure regulation and enforcement and prosecution of wildlife-related legislation (e.g. Cap. 586, 139, 170 and 455). This should be commensurate with the scale of the legal and illegal trade. Current resourcing of 56 staff members is not sufficient to oversee one of the world's largest trades in endangered species; and
- e) Leverage technologies to help detect criminality and aid in the rapid turnaround of consignments. Facilities should leverage approaches such as stable isotope analysis,

¹⁷ https://iucnurbanalliance.org/tools_and_resources/resource-1/

nuclear x-ray fluorescence and machine learning models to minimise processing time and maximise efficiency, allowing regulators to process cargo more rapidly and more easily identify suspect shipments.

6. **Waste:**

Understanding of how recycling works from a downstream and upstream perspective in Hong Kong is critically low. It is demoralising to see the recycling bins commingled, demotivating the population with regard to recycling as they do not believe it will be truly recycled. Recycling rates will be enhanced by helping the public understand the planetary impact of recycling, how different types of materials can be/ are recycled, and the lifecycle of recycling in Hong Kong. Additionally, we propose that the Government consider a greater emphasis being put on this in the education system in addition to public channels.

7. **Food:**

Food waste is a big issue needing further awareness. There are many other countries that have policies to encourage people to reduce food waste. We recommend the Government to work alongside NGOs in Hong Kong to understand what can be done to strengthen food banks and reduce food waste e.g. FeedingHK. Additionally, existing organisations that donate food to the needy require further support, we recommend tax deduction for in-kind donations. Hong Kong's Income Tax Assessment could be amended to cover costs incurred in the transport, storage, and refrigeration of donated food, and a food-donation specific tax deduction that provides a higher valuation for donated food could be developed.

8. **Transitioning to low global warming potential (GWP) Hydrofluorocarbons (HFCs):**

In accordance with the Kigali Amendment, Hong Kong is expected to reduce the amount of traditional HFCs used as refrigerant by 40% between 2024 and 2029 (based on the 2019 baseline). The market does not have sufficient understanding of this requirement, in addition, the needed equipment changes are not readily available in the market. An awareness campaign on this requirement must begin as soon as possible in order to prepare the market for the changes required. The Chamber is willing to support this, additionally, the Chamber recommends supporting the market in increasing the availability of equipment that uses low GWP HFCs.

[Housing Bureau / Development Bureau / Buildings Department / Civil Engineering and Development Department / Land Department / Planning Department](#)

[Housing and Development](#)

1. **Housing:**

- a) Provide affordable housing options for young talent, by implementing measures such as:
- i. Lower rates for 1st time mortgages;
 - ii. Tax deduction for domestic rent or increase the maximum deduction (HKD\$100,000);
 - iii. Further tax reductions for first time buyers;
 - iv. Saving incentives for first time buyers similar to the UK “Help to buy ISA” scheme¹⁸;
 - v. Financial incentives for developers building more affordable housing;
 - vi. New tax deduction scheme for home deposits which has a similar structure to the current qualifying annuity premium tax deduction¹⁹;
 - vii. Consider current mortgage maximum loan-to-value ratio of 90%²⁰ should the borrower have a lender mortgage insurance (similar to Australia²¹) in place;
 - viii. Subsidised housing programmes; and
 - ix. Providing alternative affordable housing solutions to continue to attract talent and cater to local demand. This can be in the form of co-living, student accommodation, Build-To-Rent and other such schemes. Incentives and the launch of designated commercially viable sites may be required to stimulate investment for this specific purpose. One suggestion is to collaborate with existing hotels with lower take-up to repurpose their facilities and allow cheaper rents for long-term stay.
- b) Facilitate the development of Senior Housing to address Hong Kong’s ageing population. The Government should consider increasing the land supply for Senior Living scheme and communities, and provide further incentives (including tax breaks, land premium waivers/ discounts, bonus GFA, licensing/ zoning flexibility) to stimulate private investment and development in this sector for conversion of existing buildings or development/ redevelopment of sites. The incorporation of Universal Design Principles should be implemented across more sites to enhance accessibility for the elderly and the wider community, and projects which promote multi-generational living should be encouraged.

¹⁸ <https://www.gov.uk/help-to-buy-isa>

¹⁹ <https://www.gov.hk/en/residents/taxes/salaries/allowances/deductions/annuity.htm>

²⁰ <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/07/20230707-5/>

²¹ <https://insurancecouncil.com.au/articles/lenders-mortgage-insurance/>

Constitutional and Mainland Affairs Bureau (CMAB) / Social Welfare Department / Home and Youth Affairs Bureau / Labour and Welfare Bureau / Working Family and Student Financial Assistance Agency

Improved Social Welfare

1. **Increase paternity leave from 5 days to 6 weeks:**

It is of utmost importance that if women post-birth are going to return to the workforce, they have a household environment where a sense of shared responsibility has been fostered over time. The Chamber sees great value in extending paternity leave²², additionally doing so would position Hong Kong ahead of Singapore in paternity leave provision. From January 2024, paternity leave in Singapore is four weeks for parents of babies born with Singaporean citizenship.

2. **Increase maternity leave from 14 weeks to 20 weeks:**

It is not uncommon for many new mothers to suffer from postpartum health issues such as postpartum depression and postpartum bleeding which can last up to six weeks. Additionally, health professionals recommend breastfeeding for up to six months which could be complicated with having women return to the workplace early. Extending maternity leave will support new mothers and help them enter back into the workforce more comfortably.

3. **Consider shared parental leave as an alternative to the current system of dual maternal/paternal leave:**

As an alternative to the further extension of paternity and maternity leave, the Government could also consider shifting to a system of shared parental leave. The introduction of shared parental leave provides greater flexibility for both parents in early childhood parenting, and it should facilitate smoother re-entry of mothers into the workplace in early infancy, as well as allow both parents to have equal opportunity for engagement with the infant.

4. **Support for affordable childcare:**

We note that the Government has been providing a one-off cash allowance of HKD20,000 for each baby born. However, the Chamber thinks that the root issue for many working couples is that they see difficulties raising a child in the long-run in Hong Kong due to various cost-related reasons, e.g. high costs for education, extra-curricular activities, housing etc. Therefore, we propose a provision/ increase of government funding for after school clubs or childcare services which would benefit both dual-earner and low-income families.

²² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10138670/>

5. **Support for foreign domestic helpers:**

Domestic helpers constitute a big part of Hong Kong's population. It is important to ensure that they are well treated as they help to serve families and individuals here. We suggest the current requirement of employers and foreign domestic helpers (FDHs) having to live in the same premises be removed. If the employer is unable to provide appropriate accommodation within their own premises, they should be permitted to rent a separate apartment/ room for their FDHs. Aside from ensuring that the FDHs have their own privacy and space this also helps to ensure distinct working hours, ensuring that FDHs are not constantly on call whenever the employer chooses.

6. **Support for 'minorities' and the needy:**

We appreciate the Government's effort in establishing the Community Care Team in Hong Kong, it shows the commitment of the Government to address issues affecting minority issues in Hong Kong. We also understand that the Government has a tighter budget in recent years, therefore we suggest the Community Care Team work alongside/ consult ideas from the existing NPOs and NGOs which may be more familiar with the root causes of the challenges facing minority communities in Hong Kong. This ensures efforts can be distributed to different parties and avoid any duplication of work targeting different groups who need help and assistance. For example:

- a) Homelessness: For vacancies in certain unit types of transitional housing projects in remote areas, the Government can support NGOs with transitional housing projects, e.g. ImpactHK, on work placements for tenants near the residence.
- b) Refugees: Cantonese and Mandarin language assistance programmes to improve their chances of securing stable employment in Hong Kong.

7. **Flexible working:**

Flexible working has been found to have a positive impact on labour, employment and socioeconomic issues²³, we note that Singapore will have introduced flexible work arrangement guidelines by the end of this year to attract talent, particularly young talent and workers with children or caring responsibilities. We suggest the Government to consider introducing flexible working legislation to allow employees statutory rights to request flexible working arrangements that employers must fairly consider and accept or decline.

²³ https://app7.legco.gov.hk/rpdb/en/uploads/2023/IN/IN26_2023_20231221_en.pdf