Hong Kong General Chamber of Commerce
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Helping Business since 1861

4 September 2024

The Honourable John K C Lee, SBS, PDSM, PMSM
Chief Executive
Hong Kong Special Administrative Region
Central Government Offices, Tamar
Hong Kong

Dear Chief Executive,

Policy Address Submission 2024

The Hong Kong General Chamber of Commerce (the Chamber) is pleased to provide our recommendations on the HKSAR Government's policy priorities as you embark on formulating your upcoming Policy Address.

Although the pandemic is now behind us, global markets have become increasingly complex as we confront major upheavals and, possibly, lasting changes to economic, political and social systems as we know them. Our ability to respond and adapt to these unprecedented challenges will determine Hong Kong's economic well-being and competitiveness over the coming years.

Despite the challenging operating conditions, we share your confidence and positive outlook that Hong Kong will emerge from such difficulties better and stronger. The attached sets out our views on the actions that the Government could consider adopting in its policy agenda to support, strengthen and advance the interests and welfare of citizens and businesses who call Hong Kong home.

As a stakeholder and corporate citizen of Hong Kong, the Chamber stands ready to work with the Government on the shared mission of boosting our city's status as a preferred destination for businesses and individuals.

Yours sincerely,

Agnes Chan
Chairman

Encl.

HKGCC Submission to the 2024 Policy Address
Executive Summary

The current economic landscape in Hong Kong is fraught with challenges, including high interest rates, geopolitical risks, volatility in foreign currencies and uncertainties, creating a difficult environment for many industries. Notably, the strong Hong Kong dollar and the increasing volume of cross-border consumption are impacting the retail and hospitality sectors, along with related investments, posing further challenges for small businesses in Hong Kong.

We strongly advise the Government to persist in improving the business environment, reigniting local consumption and especially extending support to small businesses navigating this complex terrain. While we acknowledge the Government's fiscal constraints, it is crucial to provide reasonable assistance to the real estate sector to mitigate potential damage from significant downward adjustments. Above all, assisting citizens and businesses in rebuilding the momentum and confidence, and outlining a certain and consistent path towards a brighter future is of utmost importance.

Assist Businesses in Navigating a Challenging Environment

1 Small and Medium Enterprises (SMEs)

SMEs are the lifeblood and pulse of Hong Kong, accounting for 98% of the total number of enterprises and 44% of total non-civil-servant employment. Recognising the pivotal role of SMEs in generating employment and creating value, we strongly believe in the necessity of supporting them in this demanding and complex business environment. We suggest that consideration be given to the following policy measure:

1.1 Improve Access to Finance for SMEs

2 Human Capital

Hong Kong has witnessed a significant exodus during the pandemic, leading to a decline in its population of young professionals and others. While we applaud the Government’s efforts to attract and retain talent through various talent admission schemes, the aging population also poses long-term challenges to the labour supply. To this end, continued upskilling and reskilling of the workforce are crucial for staying competitive in this rapidly changing world. We suggest preparing for the future of work through the following strategies:

2.1 Assess the Effectiveness and Enhance Existing Talent Attraction Policies
2.2 Tap into the Latent Labour Pool
2.3 Upskill the Workforce to Meet Future Needs
2.4 Enhance Retirement Benefits to Attract and Retain Talent
2.5 Revisit Policies on Permanent Residence

Raise Hong Kong's Competitiveness in Key Industries

3 Tourism

The tourism industry in Hong Kong plays a crucial role in fostering economic growth and creating employment opportunities. However, the sector is encountering significant challenges because of the post-pandemic shifts in travel habits. Although visitor arrivals have shown signs of recovery, the spending per capita still lags behind pre-pandemic levels. While we appreciate the Government's commitment to developing the mega events economy, we believe there is a need to further enhance Hong Kong's diverse tourism appeals through the following approaches:

3.1 Showcase the Diverse Facets of Hong Kong
3.2 Enhance Tourism Experiences
3.3 Attract High Value-Added Visitors

4 Financial Services

We firmly believe in Hong Kong's irreplaceable position as the region's financial center, attributed to the breadth and depth of its financial market. To spearhead the future of finance, we urge the Government to continue taking proactive steps. By capitalising on the growing wealth management market, tapping into the rising demand for green and sustainable finance, and investing in cutting-edge financial technology, Hong Kong can further solidify its leading role in the global financial landscape:

4.1 Deepen the Family Office System
4.2 Prepare Businesses for Nature-Related Disclosures
4.3 Capitalise on the Growing Carbon Markets
4.4 Prioritise Cultivating and Attracting ESG Talent
4.5 Accelerate the Adoption of Digital Currency
4.6 Establish Comprehensive Cybersecurity Frameworks to Safeguard Financial Data and Systems Against Cyber Threats

5 Trade, Logistics and Transport

The increasing emphasis on supply chain resilience is pushing companies to diversify their sourcing and manufacturing to mitigate risks. Despite this trend, Hong Kong, with its established trade networks and commitment to free trade, remains a vital player in the global value chain. As the geopolitical landscape evolves, competition in the region has been intensified. We advocate for reinforcing Hong Kong's position as a global trade hub, with a specific focus on enhancing the maritime and port industry:

5.1 Strengthen Hong Kong's Role as an International Trade Centre
5.2 Collaborate for Greater Development of the Entire GBA Port Cluster
5.3 Expedite Smart Port Development
5.4 Optimise Port Operations
5.5 Promote Green Fuel Bunkering
5.6 Decarbonise Commercial Vehicles
5.7 Increase Adoption of Sustainable Aviation Fuel

6 Innovation and Technology (I&T)

Hong Kong aims to evolve into an international I&T hub. To accelerate the digital economy, it is crucial to further boost the data centre capacity, advance information and communications technology (ICT) development, and prepare for the future of artificial intelligence (AI). These steps are essential for Hong Kong to capitalise on the opportunities presented by the emergence of the low-altitude economy, autonomous driving, and other innovative technologies. We suggest that consideration be given to the following strategic initiatives:

6.1 Expand Data Centre Capacity
6.2 Facilitate Data Flow and Safeguard Data Security
6.3 Leap Forward in ICT Development
6.4 Improve Positioning Infrastructure
6.5 Prepare for the Future of AI

7 Greater Bay Area (GBA)

This year marks the 5th anniversary of the GBA, a region rapidly becoming a global economic powerhouse. Given the huge and growing market, the GBA provides new impetus for Hong Kong's economic development. We urge the Government to continue engaging with Mainland authorities to implement innovative policies that enhance connectivity between Hong Kong and other GBA cities:

7.1 Facilitate the Seamless Flow of Resources
7.2 Promote the Use of e-CNY in Cross-Boundary Payments
7.3 Develop a Robust Application Programming Interface Framework

Build a Sustainable City for All

8 Land and Housing

We appreciate the Government's acceptance of our proposals to eliminate all property cooling measures earlier this year, providing timely support to the housing sector. To sustain a healthy property market, additional endeavors are necessary to ensure an adequate supply of land and housing. We urge the Government to proactively plan for the new development areas (NDAs), and embrace green building practices, which are essential for sustainability efforts:

8.1 Accelerate Infrastructure Development to Facilitate the Construction of NDAs
8.2 Enhance Energy Efficiency in Buildings
8.3 Promote Green Building Standards

9 Healthcare

The COVID-19 pandemic has unveiled weaknesses and opportunities in Hong Kong's current healthcare system. Moreover, the rapidly aging population is outpacing society's capacity to address the healthcare needs of its elderly citizens. To build a robust healthcare system, we suggest consideration be given to the following policy measures:

9.1 Invest in Innovative Health Technology
9.2 Attract, Facilitate and Support Private Investments in Healthcare Services
9.3 Develop the Traditional Chinese Medicine Industry

10 Livable City

Hong Kong is striving to achieve carbon neutrality by 2050. The city must take action by formulating a concrete plan to transition into a net-zero emissions economy and society. This entails promoting green transport and establishing a comprehensive waste management strategy. Additionally, the social pillar of ESG is crucial for fostering a livable environment that can attract and retain talents. We suggest consideration be given to the following policy measures:

10.1 Adopt Nature-Based Solutions for Enhancing Climate Resilience
10.2 Optimise the Overall Waste Management Landscape
10.3 Enhance the Producer Responsibility Scheme on Plastic Beverage Containers and Beverage Cartons
10.4 Promote Sustainable Lifestyles

HKGCC Submission to the 2024 Policy Address

Assist Businesses in Navigating a Challenging Environment

1 Small and Medium Enterprises (SMEs)

Currently, there are over 360,000 SMEs in Hong Kong, accounting for more than 98% of enterprises and employing over 44% of the private sector workforce. SMEs play a vital role in driving economic growth. However, Hong Kong's economic recovery has not been as expected. According to findings from a recent survey of our SME members many are still struggling to recover to pre-pandemic levels of growth and profitability. The survey results are outlined in *Appendix A*.

1.1 Improve Access to Finance for SMEs

A notable takeaway from the survey is the continued difficulties experienced by SMEs in obtaining financing despite the many government funding schemes on offer. To provide critical support to this important part of our economy, we suggest that consideration be given to the following policy measures:

1.1.1 Reinstate the Special 100% Loan Guarantee under the SME Financing Guarantee Scheme (SFGS), which ended in end-March 2024;

1.1.2 Restore the Pre-approved Principal Payment Holiday Scheme, which expired at end-July 2023;

1.1.3 Increase the insurance amount guaranteed under the Export Credit Guarantee Programme managed by the Export Credit Insurance Corporation;

1.1.4 Quickly streamline the application process for government funding schemes to reduce onerous processing time and excessive documentation requirements;

1.1.5 Enhance the scope of the funding schemes to support the growth of SMEs. For example, by raising the funding ceiling for the SME Export Marketing Fund from 50% of total approved expenditure to 75% to facilitate SMEs' ability to expand abroad. In the case of the Technology Voucher Programme, which subsidises local enterprises' investments in customised technological services or solutions, this could be augmented to include off-the-shelf services or solutions, which are less time-consuming and more cost-effective to implement;

1.1.6 Support SMEs' decarbonisation goals by introducing direct financial incentives through such means as expanding the scope of SFGS's 90% Guarantee Product to include green and sustainability-linked loans;

1.1.7 Broaden channels for obtaining commercial funding by promoting intellectual property (IP)-backed financing in Hong Kong. Such an approach would have the twin benefit of consolidating our standing as an international centre and beefing up Hong Kong's appeal as a place for startups to stablish a presence; and

1.1.8 Improve SMEs' access to and participation in government contracts, which would in turn promote job creation, business growth and market innovation. For example, in Singapore, over 80% of SMEs account for about 40% of the value of government procurement awards. To support local SMEs, we propose institutionalising a policy framework that is modeled, more or less, on the European Commission's "European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts" to optimise participation of SMEs in the public tenders and ensure equality of opportunity.

2 Human Capital

Many industries in Hong Kong are grappling with significant labour shortages. While we applaud the Government's efforts to attract and retain talent through various talent admission schemes that have addressed short-term demands, challenges persist due to a reduction in the labour force and an aging population. Consideration needs to be given to, and preparations made for, medium- to longer-term manpower needs to ensure that Hong Kong maintains a readily available supply of labour equipped with the relevant skills.

2.1 Assess the Effectiveness and Enhance Existing Talent Attraction Policies

2.1.1 Optimise the application process for various talent schemes. Categorise different types of applications and streamline the processing of specific types of applications, such as Type A applicants for the Top Talent Pass Scheme (TTPS);

2.1.2 Expand the list of eligible universities under the TTPS;

2.1.3 Improve the Enhanced Supplementary Labour Scheme by streamlining the complex process. This could shorten the long waiting time (currently at least 9 to 12 months) to facilitate faster and more efficient recruitment;

2.1.4 Certain industries are currently facing rising unemployment rates due to changes in the macroeconomic landscape, particularly affecting the construction workforce engaged in private sector projects. We suggest that the Government constantly adjust the labour importation schemes to align with changes in the local labour market;

2.1.5 Expand the engineering workforce and attract engineering talent from other regions on the Mainland to work in Hong Kong through Mutual Recognition of Qualifications or Mutual Recognition of Professional Qualifications, talent search and efficient immigration policies; and

2.1.6 Continue to liaise with Mainland authorities to advocate for more flexibility for Hong Kong employers in cross-border recruitment.

2.2 Tap into the Latent Labour Pool

2.2.1 Provide incentives to encourage women with children to rejoin the workforce and to upskill elderly and middle-aged employees;

2.2.2 Expand the Reimbursement of Maternity Leave Pay Scheme to cover half of the 14-week statutory maternity leave, i.e. the 8th to 14th weeks; and

2.2.3 Provide tax deduction for cost of employing domestic helpers or care-givers.

2.3 Upskill the Workforce to Meet Future Needs

2.3.1 Raise the subsidy ceiling of the Continuing Education Fund from HK$25,000 per person to HK$80,000, with an initial distribution of HK$30,000 in the first year and HK$10,000 annually for the subsequent five years;

2.3.2 Review the secondary school curriculum and university admission requirements to encourage students to study STEM-related subjects;

2.3.3 Establish a professional certification and chartership for accredited green building practitioners, or par with disciplines like engineering. This would recognise students or professionals who meet standards of competency in areas such as green building design, construction techniques, and facility management; and

2.3.4 English is the international language of business, IT, finance and research, all of which are pivotal areas targeted in the Administration's strategies to boost our economy. Standards have declined over the past decade in both public and private spheres in Hong Kong. Regaining them, along with improved provision of English in all aspects of Government, is crucial to reestablishing Hong Kong as Asia's World City.

2.4 Enhance Retirement Benefits to Attract and Retain Talent

2.4.1 Establish a committee to explore ways to reduce expense ratios of MPF scheme. The Chamber would be pleased to participate in this initiative;

2.4.2 Set separate caps at HK$60,000 for tax deductible MPF voluntary contributions and qualifying deferred annuity policies premiums, instead of an aggregate limit for both;

2.4.3 Foster coordination on policies related to retirement benefits, taxation, and finance among Mandatory Provident Fund Authority, the Inland Revenue Department, and the Treasury; and

2.4.4 Provide tax incentives to employers who contribute more to their employees' retirement funds.

2.5 Revisit Policies on Permanent Residence

2.5.1 Restore permanent residency for non-citizens who lost permanent residency between 2020 and 2022 if they visit Hong Kong in person;

2.5.2 Reduce the cost of maintaining permanent resident status by allowing non-citizen permanent residents to be away for 3 years (as opposed to 2 years currently); and

2.5.3 Referencing other international talent programs, offer instant permanent residency to top global talents who have outstanding performance and international recognition in specific industries would be very helpful to attract target talents.

Raise Hong Kong's Competitiveness in Key Industries

3 Tourism

While visitor arrivals are showing signs of recovery, per capita spending still lags behind pre-pandemic levels. There is an urgent need to formulate a comprehensive and strategic plan to enhance Hong Kong's appeal as a premier tourist destination. This strategy should not only highlight Hong Kong's rich cultural heritage but also showcase its natural beauty and recreational offerings, crafting a unique and unforgettable experience for both locals and tourists from Mainland China and beyond. A list of proposed initiatives is detailed in *Appendix B*. Some of these initiatives for the Government to consider:

3.1 Showcase the Diverse Facets of Hong Kong

3.1.1 Organise cultural heritage and nature experiences tours to showcase the beauty of Hong Kong;
3.1.2 Host international sporting tournaments to bolster Hong Kong's sporting appeal;
3.1.3 Transform Tai Kwun, Peel Street, and historical pathways into open-air venues for cultural events; and
3.1.4 Provide sites to develop marinas to accommodate leisure boats, and particularly to encourage the use of Hong Kong for leisure boating.

3.2 Enhance Tourism Experiences

3.2.1 Appoint district tourism ambassadors to promote tourism offerings and unique attractions tailored to the district's characteristics;
3.2.2 Establish the "Discover Hong Kong City Card" to provide tourists with discounted access to multiple attractions, transportation, and dining options;
3.2.3 Offer a wide range of Halal-friendly experiences, including dining and entertainment options, for Middle Eastern and other Muslim tourists;
3.2.4 Promote the adoption of electronic payment methods for all modes of transportation, including taxis;
3.2.5 Provide incentives to encourage airlines to expand flight capacity, thereby enhancing connectivity and accessibility; and
3.2.6 Subsidise charging facilities to install chargers compatible with the Chinese GuoBiao standard to facilitate cross-boundary vehicles' use.

3.3 Attract High Value-Added Visitors

3.3.1 Identify and target specific international markets with high potential for quality travelers. These markets could include regions like Southeast Asia, Europe, North America, and Australia. Establish clear key performance indicators related to traveler numbers from key markets, overnight stays, and expenditure per visitor;
3.3.2 Recommend that the Hong Kong Tourism Board increase clarity in its marketing efforts in identified key markets. This may entail forming strategic partnerships with airlines, travel agencies, and digital platforms;

3.3.3 Further secure major multinational corporate events and position Hong Kong as a premier MICE (Meetings, Incentives, Conferences, and Exhibitions) hub capable of hosting corporate events of various scales;

3.3.4 Focus on attracting high-quality travelers including cruise, luxury, concert, sports related travelers, rather than solely aiming to increase visitor numbers and establish special incentive schemes for companies that promote these segments; and

3.3.5 Enhance collaboration between public and private sector stakeholders to develop targeted marketing strategies and create packages that appeal to high-value travelers and companies. This could include offering exclusive experiences, premium accommodations, and customised corporate travel solutions.

4 Financial Services

With its unique geographical location, robust regulatory framework, and diverse talent pool, Hong Kong stands out as one of the leading international financial centres. The city's established financial ecosystem forms a robust foundation for attracting both domestic and international investors.

Despite these strengths, challenges remain. In the face of high interest rates and economic uncertainties, Hong Kong's stock market has shown sluggish performance, and the initial public offering market has been lacklustre. On the other hand, Hong Kong has faced budget deficits in four of the five financial years since 2019-2020, amidst a particularly challenging business environment. Continued efforts should be directed towards strengthening Hong Kong's status as the preferred financial gateway between Mainland China and the rest of the world, while also intensifying our platform's competitiveness in attracting businesses, capital and talent to Hong Kong.

- ***Asset and Wealth Management***

The growing number of high-net-worth individuals (HNWIs) across Asia means that wealth management services are increasingly in demand. We welcome the Government's recent efforts to promote the establishment of family offices and introduce the New Capital Investment Entrant Scheme (New CIES) to position Hong Kong as a premier global hub for asset and wealth management.

4.1 Deepen the Family Office System

To further elevate the city's appeal to HNWIs and family offices, we urge the Government to enhance funds and family office tax incentives, fostering investment and economic growth. To that end, the following strategies should be considered for enhancing these incentives:

4.1.1 Introduce more comprehensive tax exemptions or reductions for funds and family offices that manage specific asset classes, such as real estate, artwork, and digital assets;
4.1.2 Streamline the regulatory requirements for funds and family offices to operate in Hong Kong. This may entail establishing a dedicated regulatory tier for these entities with less stringent compliance mandates, enabling them to focus on investment strategies rather than regulatory burdens;
4.1.3 Introduce a certification program for family offices that meet specific criteria concerning investment strategies (including contributions to the local economy), governance, and sustainability. Certified family offices could benefit from additional grants or support services, enhancing their reputation and operational efficiency;
4.1.4 Establish a regular dialogue with funds, family offices, and industry experts to solicit feedback on current incentives and identify areas for improvement;
4.1.5 Expand the scope of the New CIES which now only contains limited Permissible Investment Asset Classes, to include new investment products;
4.1.6 Widen the definition of qualified investors to allow corporations, insurance companies, asset managers and family offices to participate through Bond Connect or direct investment in the interbank bond market; and
4.1.7 Establish the "Wealth for Good in Hong Kong Summit" as an annual event following this year's success. This initiative can consistently enhance Hong Kong's global influence in wealth management by collaborating on forums and related promotional activities with Mainland China, Europe, and the Middle East.

- ***Green and Sustainable Finance***

With the increasing global awareness of climate change and environmental sustainability, Hong Kong has the opportunity to emerge as a frontrunner in this essential domain. In addition to cultivating conventional asset management, we value the integration of green and sustainable finance within our financial services landscape.

4.2 Prepare Businesses for Nature-Related Disclosures

4.2.1 Engage listed companies to identify, assess, monitor and report their nature-related dependencies, impacts, risks and opportunities. Build towards consistency and standardisation of corporate disclosure by adopting internationally recognised framework such as the Taskforce on Nature-related Financial Disclosures;
4.2.2 Provide capacity building and support to particular industry sectors on understanding the nature issue and help them with assessment and disclosure; and
4.2.3 Improve availability and public accessibility to city-level and location-specific nature and biodiversity data of Hong Kong to facilitate businesses to conduct nature-related assessment and reporting.

4.3 Capitalise on the Growing Carbon Markets

Consideration should be given to encourage investment in and usage of zero-carbon energy and low-carbon technologies by providing incentives such as additional tax deduction, grants and loan programs. As the Hong Kong Exchange's Core Climate Platform is seeing increasing participation from both local and international businesses, we recommend that the Government provide more financial and/or tax support for businesses trading on Core Climate to further promote Hong Kong as the leading carbon trading hub in Asia.

4.3.1 Offer grants or loans with preferential interest rates for businesses to purchase carbon credits generated by projects listed on Core Climate;
4.3.2 Consider introducing special tax deduction on expenses incurred for purchasing renewable energy credits, certificates, or carbon credits to incentivise businesses to reduce their carbon footprint; and
4.3.3 Provide a preferential tax rate for income generated from projects listed on Core Climate.

4.4 Prioritise Cultivating and Attracting ESG Talent

4.4.1 Encourage schools and universities to offer more accredited courses on ESG to nurture local talent;
4.4.2 Proactively engage with ESG consultancies to establish a presence in Hong Kong, and provide incentives for mid to senior-level ESG professionals to relocate to the city;
4.4.3 Provide more support for market practitioners to enhance their knowledge and skills, enabling them to help clients achieve their ESG-related goals; and
4.4.4 Establish professional qualification boards that adhere to global standards and consensus.

- ***Financial Technology (FinTech)***

FinTech is driving innovation in financial services on a global scale, reshaping commerce and altering end-user expectations within the financial sector. It is imperative for Hong Kong to advance its FinTech capabilities to maintain competitiveness in the international financial arena. With a mature financial system as its foundation, Hong Kong is well positioned to evolve into a leading FinTech hub in Asia.

4.5 Accelerate the Adoption of Digital Currency

4.5.1 The rise of digital currency may substantially transform the financial system, affecting liquidity, market-making, and risk management given its speed and automation. It is crucial for Hong Kong to expedite the progress of digital currency adoption, positioning itself as a frontrunner in establishing systems and regulatory frameworks for trading, investing, and funds management in digital currencies and tokens. This includes formulating comprehensive regulations to facilitate the establishment and trading of exchange traded funds in this domain.

4.6 Establish Comprehensive Cybersecurity Frameworks to Safeguard Financial Data and Systems Against Cyber Threats

4.6.1 Deploy advanced threat detection technologies, such as artificial intelligence (AI) and machine learning, to identify and respond to cyber threats in real-time;
4.6.2 Develop and maintain a robust incident response plan to ensure quick and effective actions in the event of a cybersecurity breach;
4.6.3 Conduct regular drills and tabletop exercises to test and refine the incident response plan;
4.6.4 Undertake research and development initiatives focused on emerging cybersecurity technologies;
4.6.5 Establish voluntary platforms for regular information sharing between the Government, financial institutions, and technology companies to exchange confirmed and reportable cybersecurity incidents and best practices;
4.6.6 Organise annual global cybersecurity conference in Hong Kong and participate in a global information sharing network;
4.6.7 Involve private sector stakeholders in the development of cybersecurity policies and regulations to ensure they are practical and effective; and
4.6.8 Encourage a collaborative approach to regulatory compliance and enforcement.

5 Trade, Logistics and Transport

Hong Kong's economic fortunes remain closely intertwined with its trade performance. In light of this, continued policy focus should be allotted to the pillar industries of trade and logistics to ensure that they stay robust and healthy.

5.1 Strengthen Hong Kong's Role as an International Trade Centre

5.1.1 Expedite the third and final phase of the Trade Single Window to facilitate the lodging of paperless import and export trade documents;
5.1.2 Establish a common data platform for customs authorities in Hong Kong and the Mainland to share information for performing clearance activities;
5.1.3 Continue discussions with Mainland Customs with support from the industry to widen the Scope of "Green Lane Logistics". For example, by expanding the Single E-lock Scheme to include more clearance points across the country;
5.1.4 Set up a land bank for modern logistics development. Ideally, this should be located in the Northern Metropolis to capitalise on the ongoing development of cross-border infrastructure;
5.1.5 Implement a postal code system in Hong Kong to improve the efficiency and accuracy of deliveries to private residences and businesses. Such a system would contribute significantly to strengthening e-commerce by refining pick-up and delivery procedures;
5.1.6 Enhance Hong Kong's value proposition as the preferred international transport hub in the region by offering subsidies to attract airlines and other carriers to establish a presence in the city; and
5.1.7 Strengthen Hong Kong's standing and appeal as a premier global supply chain management centre through relevant fiscal policies that contribute to the consolidation of the SAR as a trade finance hub.

- ***Maritime Transport***

The Port of Hong Kong is facing intense competition from other transshipment hubs like Shenzhen, Zhanjiang, Shanghai, Ningbo, Singapore, Malaysia, Taiwan, and South Korea, all vying to establish themselves as key players in Asia. It is imperative for the Government to ramp up support to bolster Hong Kong's standing as a premier international maritime center. To that end, we suggest the following:

5.2 Collaborate for Greater Development of the Entire GBA Port Cluster

5.2.1 Coordinate the roles of different GBA ports to avoid inefficiencies and wastages arising from irrational competition. In this regard, Hong Kong can leverage its strength in cold chain cargo handling through such means as investing in inspection facilities to solidify its role as a cold chain hub within the GBA;

5.2.2 Drive and facilitate simplification of cross-border customs arrangement. For example, a "joint boundary control system" could be introduced to expedite cross-boundary cargo flows; and

5.2.3 Continue high-level liaison with the Central Government in order to maintain the cabotage arrangements in Mainland China.

5.3 Expedite Smart Port Development

5.3.1 Speed up the process of Smart Port development by adapting the Airport Authority Hong Kong's Cargo Data Platform for maritime shipping given that many of the issues, processes, and stakeholders are more or less similar;

5.3.2 Facilitate the incorporation of the information under the Trade Single Window into the Port Community System. The platform should cover all the information needed for the whole supply chain; and

5.3.3 Provide terminal operators and other stakeholders with favourable policies on port digitalisation and automation, which may require heavy investments.

5.4 Optimise Port Operations

5.4.1 Establish a Maritime and Port Authority with a clear remit and dedicated and sufficient resources to provide the required long-term strategies for the success of the industry;

5.4.2 Develop charging infrastructure for local electric vessels that operate within Hong Kong waters (e.g., pilots, tugs, other Class 2 vessels);

5.4.3 Waive port facilities and light dues for ocean-going vessels and barges operating in Hong Kong waters;

5.4.4 Introduce a transshipment ordinance to further promote such activities and capitalise on Hong Kong's entrepot trade model for high value commodities, in anticipation of Hong Kong's accession to the Regional Comprehensive Economic Partnership; and

5.4.5 Offer transshipment cargo exemption for strategic commodities to allow eligible cargo operators which have registered with the Trade and Industry Department to be exempted from licence applications.

5.5 Promote Green Fuel Bunkering

Hong Kong's total bunkering volume has steadily declined by 30% from its peak in 2017 to 2023. The city is currently trailing behind several Asian ports in terms of green energy initiatives. To uphold the competitiveness of the Port of Hong Kong and foster its evolution into a "green fuel bunkering hub", we suggest the following:

5.5.1 Promote the use of zero-or-low-emission fuels (such as green-LNG, green-methanol, green-ammonia, and biofuels) as an effective interim or alternative energy transition solution;
5.5.2 Enhance the funding programmes and provide subsidies for terminal operators and other stakeholders to switch to green or cleaner fuels;
5.5.3 Introduce a mass flow metering system to monitor the mass flow, density and temperature throughout the bunker fuel delivery process;
5.5.4 Progress regulatory support and legislative changes for the introduction of key green marine fuels (including LNG, methanol, ammonia, and biofuels) for bunkering in the Port of Hong Kong;
5.5.5 Provide financial and non-financial incentives to attract green dual-fuel vessels, as well as green fuel suppliers, storage facilities, and tanker operators, to establish the Port of Hong Kong as a hub for green fuel trading; and
5.5.6 Support the development of critical infrastructure, such as the use of green fuel offshore terminal and the operation and registration of green fuel bunker vessels.

- ***Road Transport***

5.6 Decarbonise Commercial Vehicles

There are over 140,000 commercial vehicles in Hong Kong. These vehicles include goods vehicles, buses, light buses and taxis, serving as significant sources of street level pollution. To advance the decarbonisation efforts of the road transport sector, we suggest the following:

5.6.1 Promote usage of biofuels, such as renewable diesel, to capture immediate decarbonisation benefits until full electrification of all commercial vehicles takes place;
5.6.2 Increase the subsidy for electric commercial vehicles, not only for trials for green and innovative transport technologies but to reduce the first registration tax for medium and light goods vehicles in particular;
5.6.3 Establish clear timelines for phasing out of internal combustion engine models across commercial vehicle segments, such as light goods vehicles and medium goods vehicles;
5.6.4 Encourage van owners switch to electric vans by increasing the fee for scrapping diesel vans;
5.6.5 Use Government fleet services (e.g., outsourced providers) to showcase the benefits of electric fleets. Propose to include “zero emission” as a mandatory requirement for all vehicle related services (e.g., 3rd party logistics); and
5.6.6 The Education Bureau and schools should collaborate to create transition plans and set targets concerning minibuses and coaches.

- ***Air Transport***

5.7 Increase Adoption of Sustainable Aviation Fuel (SAF)

Promoting the use of SAF at the Hong Kong International Airport (HKIA) is crucial to enable the aviation industry to achieve net-zero carbon emissions, thereby maintaining the city's status as a global aviation hub.

5.7.1 Currently, Hong Kong's development of SAF policies lag behind other regions, particularly Singapore. To bridge the policy gaps, we suggest that the Government establish a one-off pilot fund of HKD100 million to help airlines address the green premium associated with SAF usage in 2025. This fund can facilitate the build-up of knowledge and expertise on Hong Kong's SAF supply chain and levy distribution mechanism;

5.7.2 Consider introducing a SAF levy to bridge the price gap between SAF and traditional jet fuel, which is a major barrier in local SAF uplift. It might be imposed for every passenger departing from Hong Kong, with the exception of transitioning passengers and cargo flights;

5.7.3 Establish an effective SAF levy allocation mechanism to encourage airlines to increase their use of SAF at the HKIA and decarbonise its aviation emissions; and

5.7.4 Set up a SAF blending facility at the HKIA which would allow for the import of a larger volume of SAF and enable airlines to directly blend them with local jet supply, driving down the overall cost of SAF utilisation.

6 Innovation and Technology (I&T)

I&T are important drivers for economic growth. We commend the Government for allocating resources towards shaping policies and implementing supportive measures, with a view to leading Hong Kong to realise its vision as an international I&T centre. Continued efforts are essential to enhance our capabilities within this pivotal sector, foster the technology ecosystem and actively engage the private sector in promoting innovation.

- ***Data Hub***

6.1 Expand Data Centre Capacity

The rising demand for data centers in the upcoming years requires immediate attention. The establishment of new data centers can bolster the growth of AI, data science, and advanced manufacturing industries. To enhance Hong Kong's position as a leading hub for data centers in the Asia Pacific region, we suggest the following:

6.1.1 Establish a clear roadmap of reasonably priced land supply to provide a visionary view of land and repurposed building supply in terms of quantities, locations, sizes, etc. to investors for early planning;

6.1.2 Facilitate the planning and construction of power networks in revitalised older areas in advance, so that sufficient power can be provided in a short period of time;

6.1.3 Review and streamline the approval process for data centre application (i.e., change of land use, waiver application and plot ratio etc.) and further provision of financial benefits;

6.1.4 Provide incentives to encourage data centre investors and operators to establish large scale data centres with better performance in energy efficiency. Consider implementing Energy and Data Centre Hub (EDC) by combining data centre (and, potentially, DSC plant) into a single to achieve "single site, multiple use" land use target;

6.1.5 Establish an energy efficiency performance requirement for new data centre establishment with reference to best international practices for new data centres, such as Power Usage Effectiveness (PUE) at 1.3 and Water Usage Effectiveness (WUE); and

6.1.6 We support the Government's efforts to enhance the cybersecurity of critical infrastructure. It is essential for the Government to gather public input on the proposed legislation from all relevant stakeholders, not just critical infrastructure operators. This inclusive approach will ensure that the legislation is fit-for-purpose, balancing cybersecurity needs with manageable compliance efforts and costs, without imposing undue obligations on affected organisations.

6.2 Facilitate Data Flow and Safeguard Data Security

6.2.1 The free flow of data underpins the digital economy and plays a fundamental role in data-driven progress and innovation. We suggest that the Government improve cross-border data flows within the GBA to further strengthen the strategic development of digital economy and facilitate the development of associated data centres; and

6.2.2 In terms of data protection frameworks, we urge the Government not to enforce data localization requirements on either the public or private sectors. Such measures do not enhance the security of personal data but rather hinder business innovation and restrict the services accessible to consumers. Instead, international security and privacy standards along with proven codes of practices should be recognised as an appropriate voluntary mechanism for showcasing compliance with domestic privacy laws and frameworks.

- ***Information and Communications Technology (ICT)***

6.3 Leap Forward in ICT Development

The advancement of ICT is positioned to fuel the sustainable growth of Hong Kong's economy and drive its evolution into a hub for technology collaboration and exchange, thereby realising the vision of becoming a world class smart city. To strengthen Hong Kong's standing as an ICT hub, we suggest the following:

6.3.1 Continue to enhance local communications network infrastructure and fostering connections with the Mainland, exploring the potential extension of cross-border networks to specific GBA area;

6.3.2 Further extend connectivity to strategic locations by engaging distinctive measures to smoothen the process and obtain approval from the relevant authorities. For example, consider implementing a submarine cable system across the South China Sea;

6.3.3 Adopt a more pro-cloud policy in line with international experience to fully capitalise on the merits of cloud computing in terms of agility, cost savings, elasticity, allowing faster innovation and deployment, with the aim of driving digital transformation in both the public and private sectors;

6.3.4 Legislation and policies relating to ICT development, including areas like cybersecurity and AI, should uphold a technology-neutral stance and adhere to international standards without any form of bias;

6.3.5 To align with the nation's direction to strengthen IP protection, we recommend that the Government establish a comprehensive ecosystem for the commercialization of IP, by promoting IP arbitration and mediation services, attracting and nurturing talents and improving legal frameworks and valuation mechanisms; and

6.3.6 Enhance current visa/permit arrangements by introducing special procedures or mechanisms to facilitate the seamless movement of personnel within the same group of companies. This would enable overseas ICT professionals to easily work in Hong Kong on a project basis or for specific assignments.

6.4 Improve Positioning Infrastructure

6.4.1 Integrate multiple Global Navigation Satellite System (GNSS) constellations, including GLONASS, Galileo, and BeiDou, to provide enhanced coverage, accuracy, and reliability for positioning data;

6.4.2 Implement a Ground-based Augmentation System (GBAS) network that leverages terrestrial reference stations to correct and improve the quality of GNSS signals;

6.4.3 Establish a Real-time Kinematic network utilizing a network of continuously operating reference stations to deliver high-precision, centimeter-level positioning data;

6.4.4 Set up a robust integrity monitoring system to continuously assess the quality and reliability of the positioning data;

6.4.5 Develop a centralised platform that seamlessly integrates the various positioning data sources and provides a unified, high-quality positioning data solution to end-users;

6.4.6 Incorporate redundant infrastructure and backup systems to ensure the resilience of the positioning data infrastructure;

6.4.7 Implement robust cybersecurity measures and data privacy protocols to protect the integrity and confidentiality of the positioning data;

6.4.8 Add 10 more base stations to the existing GNSS and GBAS networks, ensuring improved coverage and redundancy across Hong Kong; and

6.4.9 To address the potential signal blockage in urban environments, the infrastructure will incorporate ground enhancement stations to integrate indoor positioning capabilities.

- ***Artificial Intelligence (AI)***

6.5 Prepare for the Future of AI

AI, in particular generative AI, will bring significant opportunities across industries and wider communities into Hong Kong, such as digital economy, biotechnology, cyber security, Fintech, Web 3.0, insurance, retail, advance manufacturing, legal and other areas of services. Hong Kong should remain steadfast in the determination to contribute to the growth of and capitalise on the growth of AI developments. We suggest the following:

6.5.1 Establish a new set of AI certification standards and regulations to address new issues brought up by AI, including ethics, privacy, data security, traceability, and other related matters, as well as to fortify the ethical use of AI in Hong Kong and provide AI developers with greater confidence to grow and accelerate Hong Kong's industrial transformation;

6.5.2 Promote local establishments for data training centres by allowing companies to purchase and create branding with AI;

6.5.3 Adopt a principle-based and risk-based approach that targets harms raised by specific applications of AI systems in high-risk use cases;

6.5.4 Align around interoperable policy solutions to the greatest extent possible, such as those set forth by ISO;

6.5.5 When considering whether a new requirement is necessary, focus on whether the use of AI adds new risks beyond those risks already present when AI is not in use; and

6.5.6 Implement an "opt out" AI registration system. Through Web 3.0 with blockchain technology, AI-generated work could identify individuals behind their work and provide rewards for their contributions if they are proactively willing and consenting to share their copyrighted works/data.

7 Greater Bay Area (GBA)

As interactions among people and businesses in the GBA grow, it is crucial to continue to enhance the flow of resources within the region. In particular, we urge the Government to introduce policy innovations aimed at reducing barriers to cross-border capital flows. It may be prudent to reassess Hong Kong's GBA strategy, placing emphasis on the city's role in attracting foreign direct investment from international businesses to mainland GBA cities and supporting Chinese outward direct investment.

7.1 Facilitate the Seamless Flow of Resources

7.1.1 The HK$5 billion GBA Investment Fund managed by the Hong Kong Investment Corporation Limited focuses on investment opportunities in the region. We suggest the Government strengthen connections with businesses or enable interested enterprises to participate, facilitating joint exploration of strategies and development prospects, and the sharing of investment returns;

7.1.2 Establish a unified GBA "single pass" system for the financial sector with the aim of simplifying access for both onshore and offshore financial institutions to GBA cities and enhancing capital flow within the region;

7.1.3 Liaise with Mainland authorities on exempting Mainland individual investors from paying dividend taxes on Hong Kong stocks bought via Stock Connect;

7.1.4 Engage with Mainland authorities on eliminating withholding tax on dividends paid by Mainland businesses to Hong Kong investors (regardless of corporate or individual) and launching a pilot scheme in the GBA;

7.1.5 Allow Hong Kong insurance companies to set up insurance after-sales service centres in locations like Qianhai to serve Mainland residents in the GBA who hold insurance policies purchased in Hong Kong;

7.1.6 Work jointly with Mainland authorities develop a Quick Repatriation Channel (QRC) that requires insurance companies to register investment details, such as time and place. When they exit their investments, insurance companies can repatriate money through the QRC within a designated, short period of time. As a starting point, we recommend initiating a pilot scheme in the GBA;

7.1.7 Liaise with Mainland authorities to clarify tax rules and regulations regarding profits allocation for Limited Partnership Funds. Specifically, both sides should delineate the circumstances under which an investment made through Qualified Foreign Limited Partnership constitutes permanent establishment in China, and clarify the applicable tax rates for profit allocated from the funds;

7.1.8 Review the feasibility of extending the MPF scheme to Hong Kong employees working in the GBA under a Hong Kong employer. This will establish a seamless rewards management system for employers as they expand their operations in the GBA;

7.1.9 Engage with Mainland authorities on expanding the72/144-hour transit visa-free policies to provide visa exemption for foreign nationals entering the mainland GBA cities through land boundary control points in Hong Kong;

7.1.10 Coordinate with Mainland authorities for new financial incentives to enhance cross-border R&D talent mobility. We propose a joint tax scheme where expatriates based in Hong Kong entering the Shenzhen side of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone (HTCZ) are liable for Hong Kong salaries tax exclusively, without the need to fulfill China Individual Income Tax (IIT) obligations based on days spent in the Mainland. Likewise, Chinese nationals working in the Hong Kong side of the HTCZ should only be subject to the Mainland's IIT; and

7.1.11 Currently, Hong Kong businesses enjoy a 300% tax deduction for the first HK$2 million of aggregate expenditure on qualifying R&D activities, and 200% for the remaining amount, without any limit on the amount eligible for the 200% deduction. Consideration should be given to relax the policy on granting super deduction to also include R&D activities in the GBA.

- ***Deepen Financial Integration***

7.2 Promote the Use of e-CNY in Cross-Boundary Payments

7.2.1 Encourage and support local merchants to accept e-CNY payments by providing necessary hardware and software upgrades;
7.2.2 Ensure point-of-sale terminals across Hong Kong are equipped to accept e-CNY transactions;
7.2.3 Integrate Hong Kong's existing Faster Payment System with e-CNY platforms to ensure interoperability; and
7.2.4 Develop standardised APIs that enable seamless integration between Hong Kong's financial systems and the e-CNY infrastructure.

7.3 Develop a Robust Application Programming Interface (API) Framework

Open Banking entails using Open API technology to empower third-party developers in creating applications and services around financial institutions, fostering increased financial transparency, competition, and innovation.

Open API would facilitate the exchange of information and the execution of instructions for cross-boundary payments and settlements. To that end, we suggest the following to facilitate cross-border API integration:

7.3.1 Develop APIs that are interoperable with those used by financial institutions in the GBA, enabling seamless cross-border financial services;
7.3.2 Collaborate with regulatory bodies in the GBA to establish joint API standards and harmonize regulations for consistent implementation;
7.3.3 Implement robust data security protocols to ensure secure cross-border data sharing;
7.3.4 Establish a joint regulatory sandbox with GBA regulators to test and develop cross-border Open Banking solutions; and
7.3.5 Set up joint innovation centers in Hong Kong and other GBA cities to share resources, expertise, and infrastructure to drive innovation in Open Banking across the region.

Build a Sustainable City for All

8 Land and Housing

Despite recent sluggish land sale and fluctuations in the property market, the scarcity of land and housing remains a persistent challenge. Providing adequate land and housing supply is crucial for enhancing the livability and competitiveness of the city. The need to plan ahead on developing land and housing, is critical in order to maintain a steady pipeline of land sales and meet the long-term housing needs of the community. In addition, Hong Kong construction costs have risen significantly in recent years compared to other places such as Singapore and Shanghai. This cost differential in land tenders may be borne by the Government.

- ***New Development Areas (NDAs)***

8.1 Accelerate Infrastructure Development to Facilitate the Construction of NDAs

Accelerating infrastructure development is vital to facilitate the construction of NDAs. Specifically, the Government is actively taking forward the development of the Northern Metropolis, with planning studies for new land development projects currently underway. This acceleration is key to ensuring timely project completion and reducing the impact on society during construction. We suggest the following:

8.1.1 Reserve land for electrical substations and places for laying cables and other utilities such as water, drainage, etc. in roads, viaducts, bridges, tunnels and places crossing waterways, so as to speed up provision;

8.1.2 Set up a central team to review and enhance the approval process for road works and to handle the planning of all public facilities in the NDAs;

8.1.3 Construct dedicated utility corridors, such as underground pipes, pipe troughs or public utility tunnels, during the period of land formation and road and bridge construction, with the Government co-ordinating the construction;

8.1.4 Incorporate the Building Information Modelling requirements into the lease conditions; and

8.1.5 Adopt the Public-Private-Partnership (PPP) approach to deliver large-scale, long-term facilities and services of Integrated Waste Management Facilities (IWMF) for the community with the expertise and financial support by the private sector. Efforts should be made to speed up the development of the IWMF Phase 2 at Tsang Tsui in Tuen Mun.

- ***Buildings***

Buildings account for 90% of electricity used in Hong Kong, generating over 60% of the city's carbon emissions. Therefore, it is essential to review the operational energy efficiency of both existing and new buildings, along with the carbon footprint of building materials and construction processes, in alignment with the city's decarbonisation plan.

8.2 Enhance Energy Efficiency in Buildings

To establish an environment that offers tools and incentives for businesses, developers, and homeowners to enhance energy efficiency in buildings and construct green structures, we suggest the following:

8.2.1 Devise a comprehensive policy framework which defines the priorities, instruments, and institutional arrangements. For example, develop guidelines and regulations that outline best procurement practices and use of green materials with low embodied carbon. This should also involve the promotion of a retrofit certification scheme;
8.2.2 Apply smart technology to monitor and analyse the energy performance of buildings;
8.2.3 Encourage greater energy performance disclosures for commercial buildings and tenanted premises;
8.2.4 Establish a database on the energy intensity for different types of buildings and premises for performance benchmarking;
8.2.5 Provide funding or loans for small businesses and residents to facilitate investment in retrofitting buildings and replacing inefficient appliances. Encourage the use of low interest or interest-free loans for energy efficiency improvement projects;
8.2.6 Introduce PPP for existing buildings, where the government provides enabling works to support private green finance on significant retrofits such as the replacement of inefficient chillers;
8.2.7 Promote carbon neutral commercial building operations through facilitating environmentally beneficial practices during the leasing of commercial buildings (green leasing policy). For example, introduce data sharing, building energy performance requirements and management approaches as part of its leasing requirements; and
8.2.8 Take the lead on enhancing the energy efficiency of public buildings' management or operation by adopting retro-commissioning practices, applying energy efficient technology, and introducing embodied carbon performance monitoring for the development of new public buildings.

8.3 Promote Green Building Standards

Green buildings practices will be critical to meet Hong Kong's goal of carbon neutrality by 2050. To this end, we recommend the Government promote BEAM (Building Emissions Accounting for Materials) Plus certified buildings. To promote BEAM Plus green buildings, we suggest the following:

8.3.1 Issue directives and allocate budget support to bureaux and departments for implementing BEAM Plus standards, particularly BEAM Plus Existing Buildings;
8.3.2 Select only BEAM-certified venues for Government and sub-vented organizations' usage;
8.3.3 Provide subsidies, loans and grants on favourable terms to Owners' Corporations and Individual Owners for carrying out maintenance work in pursuit of BEAM Plus certification under the Integrated Building Maintenance Assistance Scheme; and
8.3.4 Prioritise BEAM Plus green buildings when endorsing sustainable developments through green finance.

9 Healthcare

The COVID-19 pandemic has brought into relief issues with the ability by Hong Kong's healthcare system to respond to and cope under immense pressure. Well-prepared healthcare systems are needed to overcome preventable morbidity and mortality during extreme infectious outbreaks.

9.1 Invest in Innovative Health Technology

To that end, appropriate actions should be taken to alleviate the burden on the public healthcare system by investing in innovative health technology to enable healthy living, provide affordability and optimise the workforce. Our recommendations to achieve such outcomes are as follows:

9.1.1 Roll out universal hepatitis B screening program in the Hong Kong Viral Hepatitis Action Plan 2020-2024;

9.1.2 Include the use of PIVKA-II blood test in the hepatocellular carcinoma surveillance program every 6-12 months along with Alpha Fetoprotein and liver ultrasound for people with increased risk of liver cancer;

9.1.3 Apply cost-effective biomarkers for better disease management outcomes, especially for cancers;

9.1.4 Advocate strong health economics studies in proving the impact on clinical, economic, and humanistic outcomes of bringing new biomarkers/technologies into the current standards of care; and

9.1.5 Incorporate international guidelines on recommended biomarkers to raise Hong Kong healthcare standards. These can help to reduce both the mortality rate and high treatment expense like surgery, transplant and medications.

9.2 Attract, Facilitate and Support Private Investments in Healthcare Services

To bring about the desired outcomes of a sustainable, robust and affordable healthcare system in Hong Kong, private sector participation is important. As such, the Government should put in place appropriate policies and practices with the objectives of attracting, facilitating and supporting private investments in healthcare services and to develop Hong Kong into an international health and medical innovation hub. These include:

9.2.1 Enabling the seamless transfer of the current voluntary listing information to the new registration approval mechanism, to reduce duplicated submission procedures and accelerate "in-use product" registration timeline;

9.2.2 Setting up medical device committees in the Preparatory Office for the Centre for Medical Products Regulation to foster a positive operating environment of the medical device industry;

9.2.3 Optimising New Procurement Strategy for medical products by the Department of Health and Hospital Authority for timely product adoption;

9.2.4 Enabling multiple interfaces and middleware to be installed for adopting advanced medical technologies in diagnostics; and

9.2.5 Promoting cloud technologies for data management, tracking and analysis to aid clinical trials.

9.3 Develop the Traditional Chinese Medicine (TCM) Industry

9.3.1 TCM has long been a vital component of Hong Kong's healthcare system. We propose the Government expedite the establishment of a set of standards for the practice of TCM and production of Chinese patent medicine, and to then engage other jurisdictions on adopting these standards on an international level, which would be conducive to developing Hong Kong into a TCM hub.

10 Livable City

- ***Protecting Nature and Biodiversity***

10.1 Adopt Nature-Based Solutions for Enhancing Climate Resilience

Hong Kong is confronted with substantial climate-related challenges, such as rising sea levels, increased flooding and more extreme weather events. Relying solely on conventional grey infrastructure will not be adequate to provide comprehensive protection for the city and its inhabitants. To enhance Hong Kong's climate resilience, we propose the following:

10.1.1 Make nature-based solutions (NbS) a key component in Hong Kong's climate adaption strategy;
10.1.2 Invest in the adoption and integration of NbS and blue-green infrastructure in town planning an urban landscape to enhance the city's climate resilience;
10.1.3 Establish a dedicated fund to promote research and implementation of NbS in Hong Kong;
10.1.4 Establish trusted and verifiable systems to build trust in the business community and general public around biodiversity credits; and
10.1.5 Develop a database of local flora and fauna, have harvested seedlings available from local species, and have designated space within the GBA to establish nurseries for local species.

- ***Waste Management***

10.2 Optimise the Overall Waste Management Landscape

The postponement of the implementation of municipal solid waste charging (MSW charging) underscores the importance of devising creative ways to promote better habits among local residents and reduce waste. We suggest the following to enhance the overall waste management landscape:

10.2.1 MSW charging scheme is a proven means to achieve waste avoidance, reduction and recycling and is complementary to other key waste management policy tools. To solicit community support widely, the Government should re-examine the previous scheme, seeking better community education, preparation and buy-in, before restarting the legislative process for the bill on MSW charging;

10.2.2 Explore joint waste management solutions and facilitate the transportation of the more valuable recyclable materials to designated recycling facilities in the GBA;

10.2.3 Ease restrictions on the import of selected recyclable materials to improve the availability and affordability of key raw materials for local recycling plants;

10.2.4 Establish a dedicated funding stream for eco-friendly product design under the Green Tech Fund to incentivise producers to reduce waste at the source by implementing environmentally friendly designs. These designs could include the use of lightweighting, increasing recyclability (e.g., label-less, colourless), or incorporating higher amounts of recycled content; and

10.2.5 Promote and support development of the reuse ecosystem and culture for foodservice packaging, and to provide support to the business sector on R&D over sustainable tableware alternatives or smart reuse systems.

10.3 Enhance the Producer Responsibility Scheme (PRS) on Plastic Beverage Containers and Beverage Cartons

As mentioned in our response to a government consultation on the introduction of the PRS on Plastic Beverage Containers and Beverage Cartons, we support policy efforts to reduce waste although consideration should be given to the unintended consequences that could arise. To ensure that the policy can effectively achieve its objectives, we suggest the following:

10.3.1 **Recovery Target Baseline:** Adopt a trial phased approach to collect verifiable data to set a pragmatic and effective Recovery Target for plastic bottle recovery and drinks carton beverages. During this trial period, no mandatory Recovery Target should be set, and no penalties should be imposed; and

10.3.2 **Role of Government:** While the government proposes a market-led approach for the scheme, it can play a crucial role in providing guidance, oversight, and financial support in setting up an enforcement framework, data management system, and recycling infrastructures, in collaboration with stakeholders in beverages industry in the first two years of the enactment of the legislation.

- ***Social Pillar of ESG***

10.4 Promote Sustainable Lifestyles

10.4.1 Promote live-work-play buildings that cater to childcare needs and promote work flexibility. Consideration should be given to incentivise these structures through measures such as gross floor area concessions. This approach would create a win-win situation, enhancing urban living conditions while generating additional revenue for public initiatives;

10.4.2 Offer more subsidies to local NGOs and social enterprises to organise ESG Community Programmes to encourage residents to develop healthy and sustainable lifestyles; and

10.4.3 Provide designated funding and/or enhance existing funding schemes for local artists and cultural organisations to host arts and cultural events in Hong Kong and abroad. This initiative aims to enhance the city's cultural soft power, attract talent, and position Hong Kong as a cultural metropolis.

HKGCC Secretariat
September 2024

Appendix A: Key Findings of the SME Survey

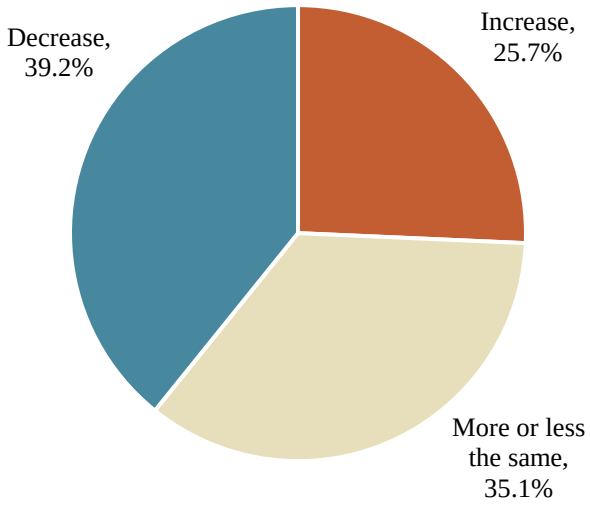
The SME Survey was designed to gain a deeper understanding the challenges that SMEs are facing, and to gather suggestions on policy measures that the Government can adopt to assist and support them. The survey was conducted from 24 July to 31 July 2024.

In total, 74 of our SME members participated in the survey. The largest group of respondents were from professional and business services (31.1%), followed by import and export, wholesale (24.3%), manufacturing (16.2%), and retail (9.5%) sectors. The key findings of the survey are as follows.

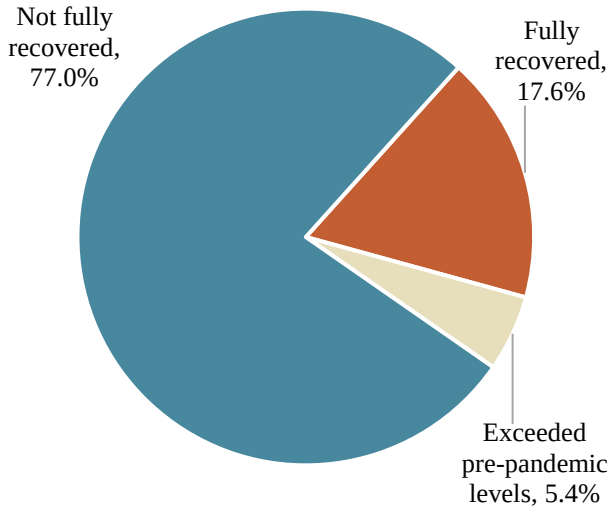
A.1 Economic Outlook

The surveyed SMEs expressed mixed sentiments regarding their outlook for the current year. While 25.7% foresee an increase in turnover in 2024 compared to 2023, 39.2% anticipate a decrease. A large majority (77.0%) of SMEs have not yet fully rebounded to their pre-pandemic levels.

Business Turnover Outlook: This Year vs Last Year



Company Performance: Pre-Pandemic Levels vs Current Status



A.2 Business Plan

When asked about their major challenges in the upcoming 12 months, many expressed concerns about their cash flows, with 33.8% considering it as very important and 24.3% rating it fairly important.

In addition to cash flow challenges, high operating costs stood out as another significant area of concern. A combined 58.1% highlighted high labour costs as very or fair important in the coming year, while 54.1% expressed similar concerns about high rental costs.

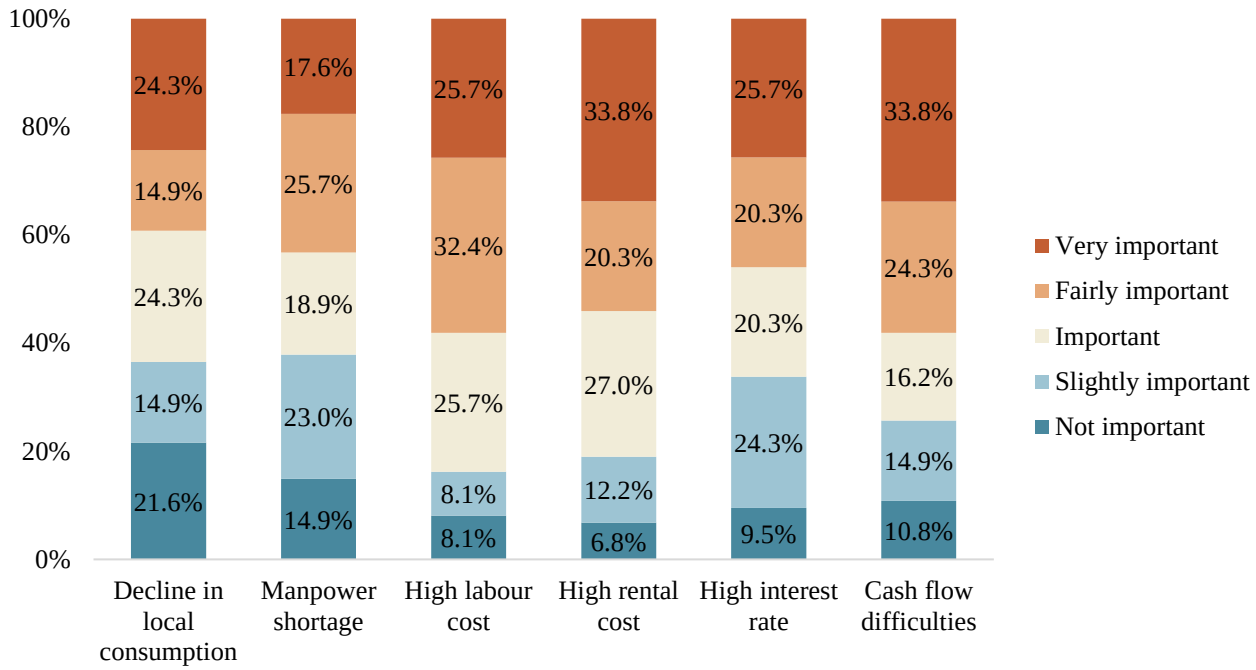
Furthermore, 21.6% and 14.9%, respectively, noted that a decline in local consumption and manpower shortages were not significant to their businesses in the next 12 months, suggesting these challenges may have somewhat eased.

On a positive note, despite these obstacles, half of the surveyed SMEs indicated no plans to adjust their business scale, while another 21.6% even aiming to increase their operations. However, nearly half of SMEs are considering lowering prices to attract more business.

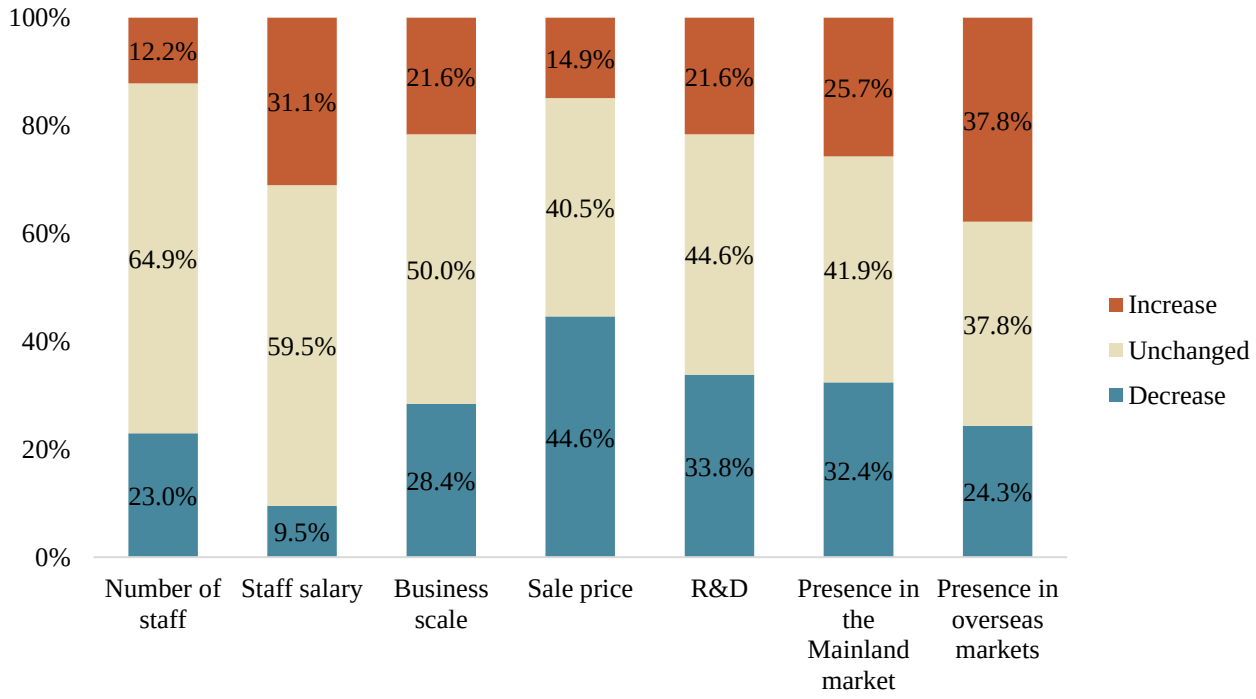
To tackle manpower shortages, a large majority (64.9%) said that their staff numbers would remain unchanged, while another 31.1% planned to increase staff salaries.

Regarding market expansion, 37.8% expressed intentions to enhance their presence in overseas markets, with 24.3% opting for a decrease. This contrasts with the 25.7% planning to boost their presence in the Mainland market, while 32.4% are considering reducing their presence in the upcoming year.

Importance of Key Business Challenges in the Next 12 Months



Measures Taken or Planned to Address the Current or Future Operating Environment

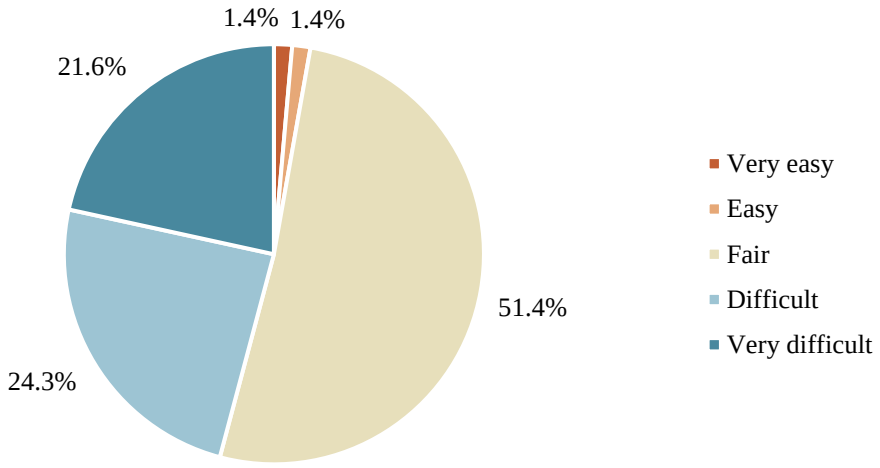


A.3 Financing

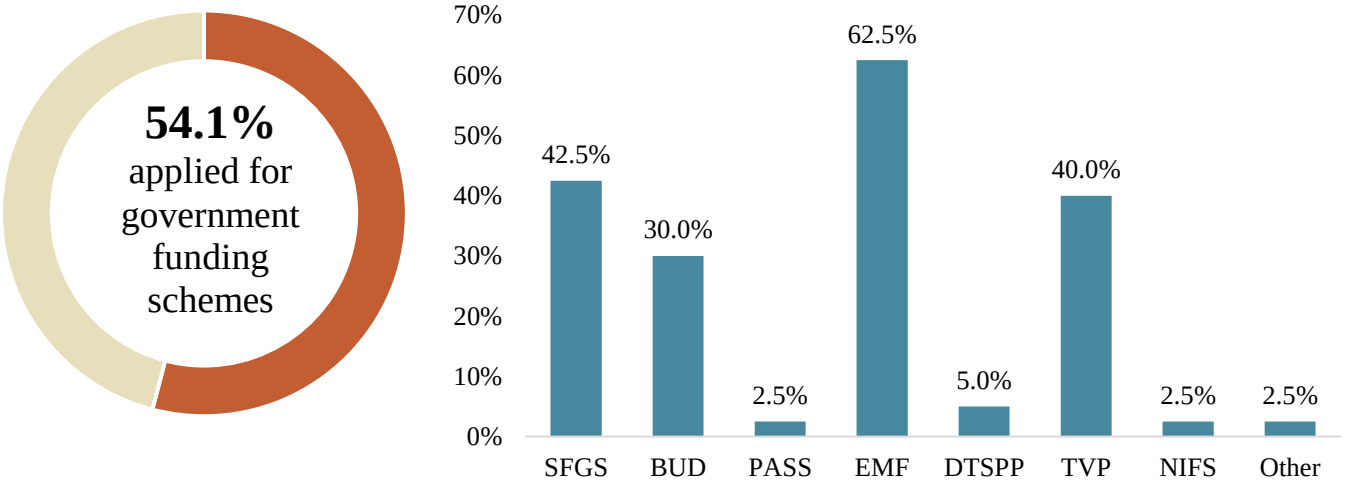
When asked about their ability to secure financing, approximately half (51.4%) of the surveyed SMEs deemed it fair, while a substantial majority (45.9%) indicating that it has been challenging.

Despite the Government offering over 70 funding schemes with varying scopes, amounts and requirements to promote and support the development of enterprises and industries in Hong Kong, just over half (54.1%) of the SMEs stated that they have applied for at least one of these schemes. The most sought-after scheme among SMEs is the SME Export Marketing Fund (EMF), followed by the SME Financing Guarantee Scheme (SFGS), the Technology Voucher Programme (TVP), and the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund).

Ability in Obtaining Financing



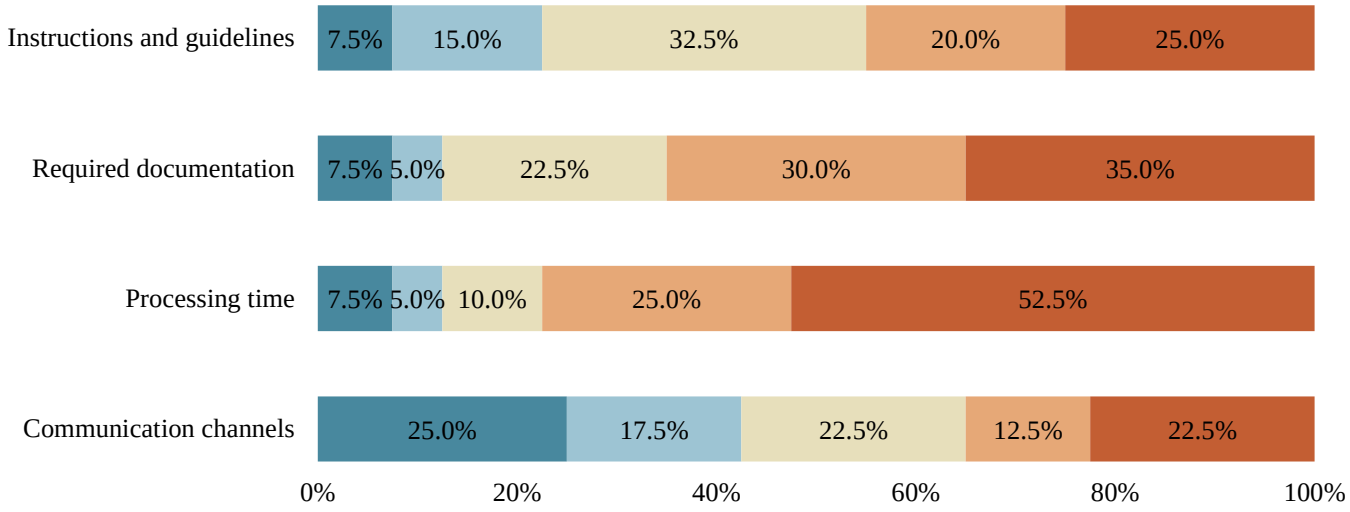
Applications for Government Funding Schemes



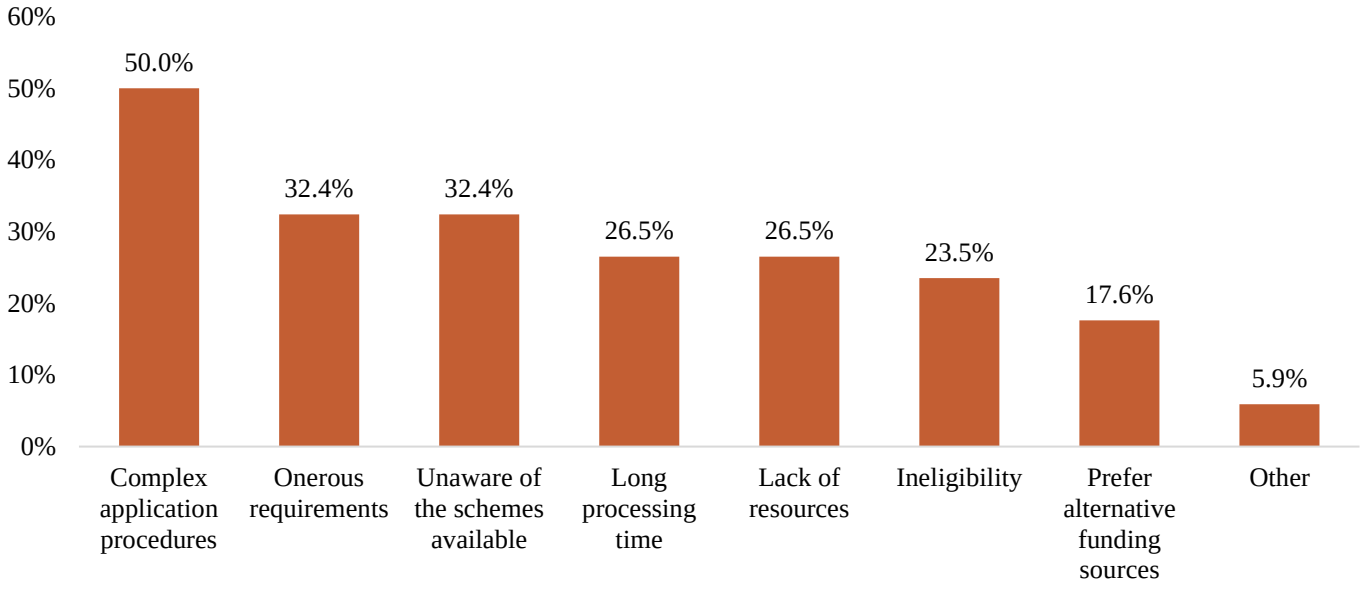
Concerning the application process, a significant number of SMEs found the instructions and guidelines to be clear, ranking this aspect the highest among other attributes. Feedback on the communication channels were varied, with approximately 35% considering them sufficient and 40.5% indicating they were insufficient.

However, a substantial majority (77.5%) of SMEs expressed that the processing time for government fund applications were too lengthy. Furthermore, 65% of respondents reported that the process required an excessive amount of documentation.

Assessment of the Application Process



Reasons for Not Applying Government Funding Schemes



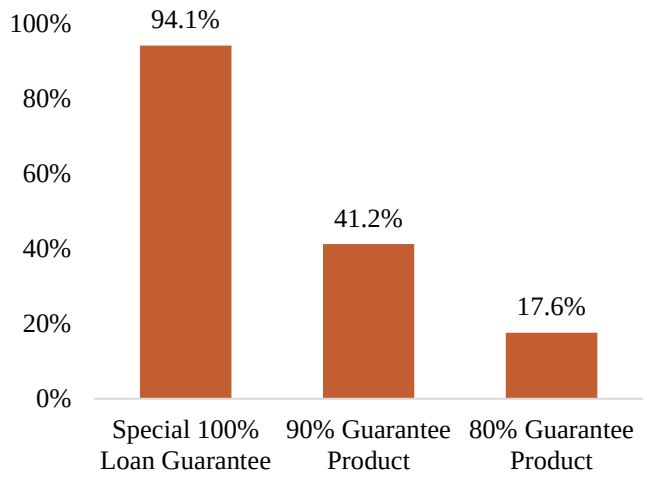
For those who did not apply for the government funding schemes, half of them indicated that the application procedures were overly complex. Some 32.4% expressed concerns about the burdensome requirements, such as the lack of flexibility in use of funds and demanding reporting requirements. Another 32.4% cited a lack of awareness regarding the available funding schemes.

- ***SME Financing Guarantee Scheme (SFGS)***

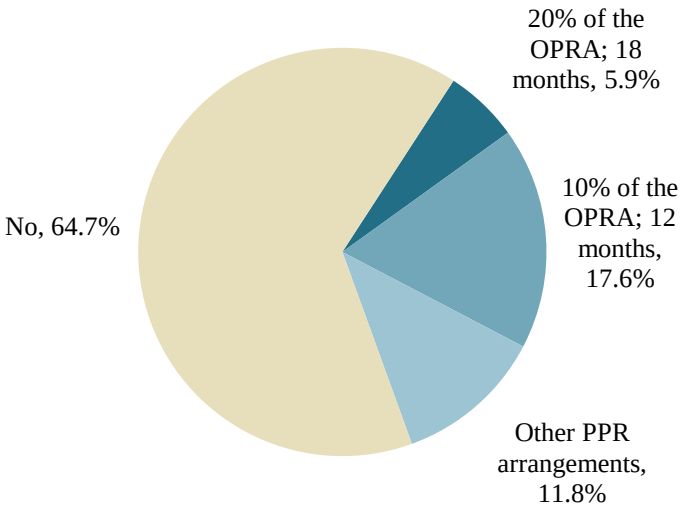
Among those applied for government funding, 42.5% applied for the SFGS. Nearly all of them sought the Special 100% Loan Guarantee, while some of them also opted for the 90% and 80% Guarantee Products.

The partial principal repayment (PPR) arrangement allows borrowing enterprises to repay only 10%, 20%, or 50% of the original principal repayment amount (OPRA) each month over a specified period, providing them with more time to gradually switch from principal moratorium to normal repayments. However, among the SMEs that applied for the SFGS, a large majority (64.7%) did not apply for the PPR arrangement.

Applications for SFGS Loans / Credit Facilities



Applications for Partial Principal Repayment (PPR) Arrangements

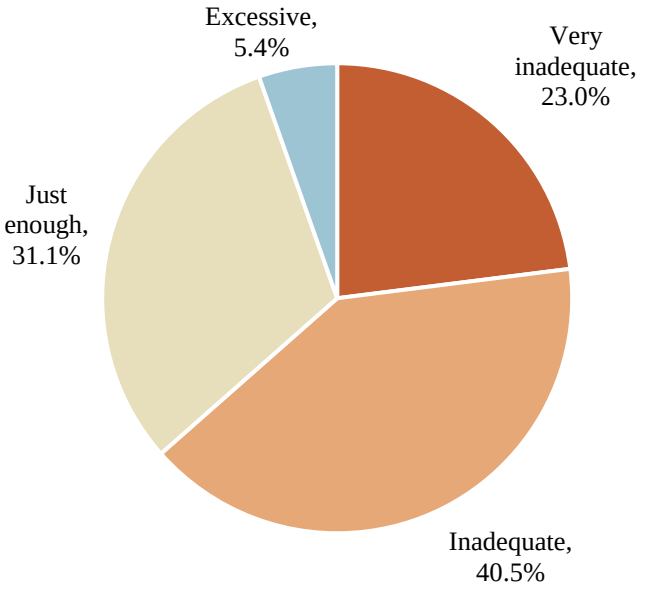


A.4 Government Support

When asked about whether the current policies and programmes provided by the Government sufficiently support the growth of their businesses, nearly two-thirds (63.5%) of the surveyed SMEs considered it inadequate, while 31.1% stating it was just enough.

In terms of government support, the most critical needs identified were access to funding, followed by reducing bureaucratic red tape, and stimulating networking and collaboration.

Assessment of Government Support for Business Growth



Most Needed Government Support

Rank

① Providing access to funding

② Reducing bureaucratic red tape

③ Stimulating networking and collaboration

④ Encouraging innovation

⑤ Fostering a culture of entrepreneurship

⑥ Investing in education and training

⑦ Creating a favourable legal environment

Appendix B: Proposed Initiatives to Revitalise Tourism

To elevate Hong Kong's status as a premier tourist destination, we suggest the following initiatives to enhance the city's appeal for both local residents and tourists from Mainland China and abroad.

B.1 Seasonal Bi-Monthly Campaigns

Month	Campaign
September and October	*Red Lantern Festival: Celebrating Mid-Autumn Festival and National Day in Hong Kong* ● Hang red lanterns along the heritage walking trails, e.g., Wan Chai Heritage Trail and the Sheung Wan Route of the Central and Western Heritage Trail. ● Host grand communal gatherings, showcasing the city's renowned mooncake varieties in an array of flavours. ● Arrange Cheongsam catwalk shows and screenings of Wong Kar Wai films in open-air cinemas. ● Organise an event featuring Mahjong play that qualifies for a Guinness World Record at Tamar.
November and December	*Optimal Weather in Hong Kong for an Unforgettable Experience* ● Offer guided tours and upgrade biking facilities to support hiking and biking activities; ● Promote hiking and biking in Hong Kong through guided tours and improved biking infrastructure. ● Establish hiking stations in all 18 districts and refine biking systems for various skill levels. ● Highlight Hong Kong's pleasant weather for Christmas celebrations, encouraging tourists to spend the festive season in the city.
January and February	*Chinese New Year Extravaganza* ● Illuminate Hong Kong with spectacular fireworks and drone displays throughout the Chinese New Year period. ● Collaborate with Zhang Yimou for a captivating show featuring the Big Buddha or Kai Tak, showcasing the Victoria Harbour skyline. ● Create a festive atmosphere with street performances, traditional cultural displays, and lantern decorations.
March and April	*Walk and Shop in Hong Kong* ● Promote local cultural experiences by encouraging visits to cha chaan tengs, wet markets, flower markets, and local boutiques. ● Highlight Hong Kong's unique street food, local brands, and traditional markets to attract shoppers and cultural enthusiasts.
May and June	*Sea and Sun in Hong Kong* ● Showcase Sai Kung, Clearwater Bay, and water-based activities like boating, canoeing, kayaking, and ziplining. ● Celebrate the Dragon Boat Festival with festive events and dragon boat races. ● Collaborate with local communities to preserve and promote traditional water-related customs and activities.

B.2 Thematic Tours: Iconic Sampan Junk Experience

- Introduce 8 to 10 iconic sampan junks in beautiful red color for the harbor around Hong Kong Island and Kowloon coastlines.
- Offer themed tours from Wanchai to Stanley, Lei Yue Mun, Central, Aberdeen, Tsim Sha Tsui, and Hung Hom.
- Collaborate with renowned brands for branding opportunities.

B.3 Pop Culture Tours: Zhang Yimou's Impression Show

- Invite Zhang Yimou, renowned director, to create a captivating show against Hong Kong's stunning backdrop.
- Host the performance near Big Buddha or across Victoria Harbour, showcasing the fusion of nature and creativity.
- Leverage Zhang Yimou's reputation and past success to attract visitors seeking unique cultural experiences.

B.4 Intangible Cultural Heritage Experiences: Preserving Local Delicacies and Traditions

- Safeguard the individuality of local noodle shops, congee shops, cha chaan tengs, and street food culture.
- Promote traditional festivities like Poon Choi in Hakka villages and encourage communal dining experiences.
- Preserve and promote traditional practices like dragon dance, ping pong, badminton, and allow limited fireworks display in villages.
- Promote Cantonese opera shows (e.g., at Xiqu Centre, Sunbeam Theatre, etc.)
- Create / promote a GBA / HK Michelin Guide to encourage tourism across the regional and internationally.
- Promote local Hong Kong cuisine across neighbourhoods with Hong Kong Neighbourhood Awards program to encourage tourism across the city both for locals and tourists.

B.5 Hike, Swim and Bike

- Develop and promote wilderness areas near Hong Kong for hiking enthusiasts.
- Improve infrastructure and signage for hiking trails in the outskirts, emphasizing safety and preservation of natural beauty.
- Make good use of Hong Kong's diverse landscapes, including scenic coastlines, country parks, and urban trails, provide opportunities for biking enthusiasts to explore and appreciate the city's natural beauty.
- Organise biking events, group rides, or cycling clubs in each district can bring residents together, promote a sense of community, and encourage social interaction among people of all ages and backgrounds.
- Promote Hong Kong Triathlon, new race of "Bike the Bridges in Hong Kong" and other marque outdoor competitions for both locals and tourists similar to Dragonboat Race and other competitive events in which both locals and tourists participate consistent with the global trend on health and wellbeing, as well as showcasing Hong Kong's natural beauty.
- Promote Ocean Park Conservation, HKU conservation efforts, and other ocean / wilderness clean ups – build pride and community among locals in cleaning up and protecting our outdoors backyard.

B.6 Open-Air Cultural Venues and Projections

- Transform Tai Kwun, Peel Street, and historical pathways into open-air venues for cultural events.
- Utilise outdoor projections and sound installations to showcase Hong Kong's history and cultural heritage.
- Collaborate with local artists and organizations to create immersive experiences for visitors and locals.

B.7 District Tourism Ambassadors

- Appoint Tourism Ambassadors for each of the 18 districts to promote tourism offerings and unique attractions.
- Empower ambassadors to organize events, heritage walks, and promotional campaigns tailored to their district's characteristics.

B.8 Hosting International Tournaments

- Organise international tournaments for ping pong, badminton, international chess and Chinese chess etc. to bolster Hong Kong's sporting appeal.
- Host China International Beer Competition in Hong Kong with support of China Alcohol Drinks Association to underscore Hong Kong’s international status and attract tourist.
- Organise Hong Kong / Kowloon Film Festival similar to Tribeca Film Festival to promote Hong Kong’s unique and famous film culture and high quality movies.

B.9 Curating International Dancing Festival/ Organizing Hong Kong Dance Festival

- Dancers, choreographers, and artists from around the globe would gather in Hong Kong, sharing their diverse dance forms, techniques, and artistic perspectives.
- Influx of visitors would invigorate the local tourism industry, benefitting accommodations, dining establishments, retail stores, and transportation services.
- Organize the Hong Kong Dance Festival by collaborating with international dance companies and artists.
- Forge partnerships with local dance schools, universities, and dance organizations to strengthen the dance ecosystem in Hong Kong.

B.10 Floral Extravaganza

- Invite renowned international horticultural organizations and floral artists to participate in the Hong Kong Flower Show.
- Organise educational workshops and demonstrations by international experts, offering visitors the opportunity to learn about various aspects of horticulture, floral design, and gardening techniques.
- Forge partnerships with international flower shows, botanical gardens, and horticultural communities

B.11 Adoption of “Discover Hong Kong City Card”

- To support the above ten initiatives, establish the "Discover Hong Kong City Card" to provide tourists with discounted access to multiple attractions, transportation, and dining options.
- Collaborate with local merchants, restaurants, and transportation providers.