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Policy Innovation and Co-ordination Office,  
26/F, West Wing, Central Government Offices,  
2 Tim Mei Avenue, Tamar,  
HONG KONG SAR

By Email: [policyaddress@pico.gov.hk](mailto:policyaddress@pico.gov.hk)

Dear Sir / Madam,

## **CPA Australia's submission to the Hong Kong 2021 Policy Address Public Consultation**

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of over 168,000 members working in 100 jurisdictions and regions around the world, including over 15,000 members in Hong Kong. We make this submission on behalf of our members and in the broader public interest.

We support the measures the Hong Kong Special Administrative Region (SAR) Government has implemented to date to alleviate the financial burden COVID-19 has had on businesses and individuals and to stimulate the economy. With the local COVID-19 situation appearing to have stabilised, and business and economic confidence beginning to recover, we think this is an opportune time for the SAR Government to increase its focus on medium to longer-term policy actions that support sustainable economic growth.

To this end, we suggest the SAR Government consider the following key themes for the Policy Address:

- enhancing the city's long-term competitiveness
- promoting sustainable and inclusive economic growth
- creating more jobs and business opportunities in Hong Kong.

Under these themes, the Chief Executive may wish to include announcements in her Policy Address that seek to:

- further diversify the economy. This could include additional support for non-pillar sectors such as advanced manufacturing, innovation and technology and arts and culture.
- increase the promotion of environmental, social and governance (ESG) initiatives, including green and sustainable finance
- enhance cooperation with other regions of the Greater Bay Area (GBA)
- build upon Hong Kong's position as a leading family office hub
- upskill and reskill the workforce.

With sectors such as tourism expected to remain subdued for some time, the Chief Executive also may wish to make announcements on further short-term measures that support business recovery. These could include supporting major public events, and incentivising smaller businesses to seek professional advice, digitalise and expand their presence in the Mainland and overseas markets.

The suggestions in the attachment have been shaped by input from our members in Hong Kong, our experiences in Australia and other jurisdictions, and from various member surveys and research we have conducted this year.

As an organisation that has had a presence in Hong Kong since 1955, CPA Australia remains confident in Hong Kong's future.

If you have any queries, please do not hesitate to contact Mr Jonathan Ng, Policy Adviser at CPA Australia on [jonathan.ng@cpaustralia.com.au](mailto:jonathan.ng@cpaustralia.com.au).

Yours sincerely,

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## Diversifying the economy

CPA Australia considers that policy actions which promote economic diversification will help Hong Kong better manage future volatility, promote sustainable economic growth and create new job and business opportunities. Sectors to which the SAR Government could consider increasing its support, as part of such diversification, include innovation and technology, advanced manufacturing and arts and culture.

### Innovation and technology

The results of our [Greater Bay Area Business Technology Survey 2021](#) show that 89 per cent of respondents think their business will increase investment in, or use of, technologies in the next 12 months. This is consistent with the SAR Government's objective of promoting innovation and technology as a key driver of economic growth and job creation.

Our members have suggested that to further encourage innovation and technology in this year's Policy Address, the Chief Executive could announce that the SAR Government will develop a comprehensive blueprint on artificial intelligence (AI). Such a blueprint should seek to encourage the development and application of AI technology within Hong Kong. Areas of focus in the blueprint could include:

- estimating the impacts of AI on industries and workplace skills over time
- identifying measures necessary to support industries and individuals that will be heavily impacted by AI
- identifying opportunities for the application of AI in the public sector.

Innovation and technology are also supported by the development of Hong Kong into a Smart City. Our members suggest that the SAR Government should consider maximising the sharing and use of geospatial data to foster the development of innovative applications and public services.

### Advanced manufacturing

The Chief Executive should consider announcing that the SAR Government will develop a holistic plan to support the reindustrialisation of Hong Kong through advanced manufacturing. Such a plan should be aligned with the Mainland's 14<sup>th</sup> Five-Year Plan. Our members have suggested that the SAR Government may wish to include the following into such a plan:

- policies encouraging the relocation to Hong Kong of advanced manufacturing, such as high-end technologies and BioTech, and trust-based manufacturing, including food safety, medical devices and certified products
- policies that nurture and retain a talent pool necessary to support high-end manufacturing
- stepping-up direct support and promotion of locally manufactured products. For example, the SAR Government could consider giving preference to locally manufactured items in its procurement policies
- increasing the depreciation allowances on the construction of industrial buildings and structures that support advanced manufacturing
- exploring further cooperation with other cities in the GBA, particularly Shenzhen.

### Arts and culture

The Chief Executive should consider increasing the SAR Government's support for the arts and culture sector. [The Organisation for Economic Co-operation and Development](#) (OECD) has indicated that this sector can play a role in attracting talent and investment, and in creating more jobs and business opportunities. Suggestions from our members to support the arts and culture sector include:

- transforming more locations into arts and cultural hubs for local and major artistic and cultural events. This includes improving the facilities in such areas to support people to enjoy the events held there
- incentives to promote Hong Kong as an art auction hub
- further measures to promote the development of Art Tech.

## Promoting ESG initiatives

CPA Australia supports initiatives that support the promotion of ESG considerations in all economies, including the development of green and sustainable finance. Member suggestions to further promote ESG and green finance in Hong Kong include:

- establishing a training institute to increase the talent pool of workers with ESG skills
- providing SMEs access to resources and skills to assist them integrate ESG into their business models
- subsidising or providing a government guarantee for SME green financing
- collaborating with financial institutions to launch a green financing platform for SMEs to search for and identify suitable green financing products
- continuing financial regulators' support for developing and maintaining a global, uniform set of sustainability reporting standards through the proposed International Sustainability Standards Board
- collaborating with financial institutions to produce a standardised application template and procedure for SMEs to access green and sustainable finance
- considering tax and prudential requirements that may encourage financial institutions to expand their offerings of green and sustainable funding options. For example, subject to the proposed OECD Base Erosion and Profiting Shifting requirements, lowering tax rates on income derived from green and sustainable financing products
- establishing a regional carbon credit trading hub
- utilising the United Nations Sustainable Development Goals as a framework for public policies that strengthen the economy and establish a sustainable and equitable recovery from COVID-19 impacts
- developing a hydrogen economy plan for Hong Kong
- allocating resources for public sector decarbonisation. We note that the United Kingdom has a [Public Sector Decarbonisation Scheme](#) that provide grants for public sector bodies to fund heat decarbonisation and energy efficiency measures
- hastening the electrification of all public transport vehicles and funding the construction of facilities to dispose of or recycle electric vehicle batteries.

## Enhancing cooperation in the GBA

With the commencement and expansion of several financial connectivity schemes with Mainland China, and plans to increase the size of the Qianhai cooperation zone, we suggest that the SAR Government consider the following policy actions to encourage further collaboration between cities in the GBA:

- establishing an inter-governmental group involving the participation of the governments of Hong Kong SAR, Macao SAR, the Guangdong province and city-level governments, to identify barriers to further economic integration in the GBA and take action to remove or mitigate those barriers. Reference is made to Australia's [National Cabinet](#), which is platform comprising the Australian Prime Minister and state and territory leaders to collaboratively address issues and areas for reform.

- gradually expanding the scope of financial products available for investors and increasing the quota of the Wealth Management Connect Scheme.

According to CPA Australia's [Greater Bay Area Business Technology Report 2021](#), respondents believe that FinTech, 5G technologies and big data analytics are the top technologies that will improve collaboration between cities of the GBA. With more organisations applying data-driven technologies to their operations, clear guidance on data usage and cross-boundary data flows should be established to facilitate data sharing in the GBA. We suggest that the SAR Government consider:

- expediting the release of detailed policies on cross-boundary data sharing in the GBA and implementing a pilot to help formulate an appropriate cross-boundary data management mechanism
- establishing a GBA-wide innovation and technology platform to further strengthen collaboration between research institutions, academics, technology vendors and start-ups, business and public sector organisations.

## **Building upon Hong Kong's position as a leading family office hub**

To strengthen Hong Kong's position as a leading family office hub and buttress the SAR's reputation as an international financial centre, our members are of a view that the SAR Government should consider including the following in the Policy Address:

- allowing onshore family offices to be established in Hong Kong with an increased quota for the cross-boundary Wealth Management Connect
- establishing a fast-track immigration scheme for family office owners, senior executives and professionals
- working with financial regulators to provide clarity on the licensing regime for family offices
- establishing a training institute to increase the talent pool for family office employees. We note that Singapore has a [Wealth Management Institute](#) that offers a Family Office Program to help professionals acquire in-depth understanding of family offices.

## **Upskilling and reskilling the workforce**

We are in a period of rapidly increasing technological disruption and industry changes. In this environment, upskilling and reskilling the workforce is vital to not only maintaining Hong Kong's position as one of the world's most competitive economies, but also to equipping the city's workforce with the skills, capabilities and knowledge necessary to prosper within the digital economy. Suggestions for the Policy Address from our members include:

- providing further financial incentives to employers to encourage them to reskill or upskill their employees
- commissioning a comprehensive review of the future skills, training and workforce development needs of Hong Kong. Such a review should include assessments of the skills and capabilities of the current workforce, the key skills and competencies that will be in high demand over the medium- to long-term, and reforms that may be needed to the education and training system
- developing a long-term strategy that encourages industry and educational institutions to offer flexible, relevant and lifelong learning opportunities for individuals to upskill or reskill. For example, offering competency training courses such as micro-credentials and short-term courses, and vocational education training. Such training courses should be internationally recognised.

## Revitalising economic and business confidence

While economic and business sentiment has recently improved, we believe there is scope for the SAR Government to build on this through the arts, culture and sport. Many other cities support major public events such as cultural festivals and sporting events to build confidence and support the economy.

In addition to the support measures already introduced, the SAR Government should consider including the following SME recovery measures in the Policy Address:

- re-opening applications for, and increasing funding to, the Distance Business Program to help local businesses digitalise and expand their online presence
- offering more funding and assistance to help local firms better access and expand into markets outside of Hong Kong, especially in Mainland China and ASEAN markets
- introducing financial incentives for SMEs to seek business advice from their existing professional adviser to assist with their recovery. The Australian state of Tasmania has created the [business continuity grant scheme](#) which offers grants to small business to help offset the cost of accessing professional advice.

While business support programs and funding offered by the SAR government do have positive impacts on business, members have informed us that the large numbers of such programs can be confusing and difficult to find. Further, the application process for accessing such programs can be complex. These challenges are potentially causing otherwise eligible businesses to not apply. This is an issue we see in other jurisdictions.

To identify measures to overcome these challenges and to optimise the use of resources, we therefore suggest a comprehensive review of the government's current business support programs. Such a review should assess:

- the effectiveness of current business support programs
- whether the programs are achieving their policy objectives
- whether the application processes for accessing such programs are unnecessarily complex
- any gaps in the current programs, for example, industries and business processes missing out on support
- opportunities to improve the design and delivery of such programs.

## Acknowledgements

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