



The American Chamber of Commerce in Hong Kong

Submission on the 2024 Chief Executive Policy Address

August 2024

Reasserting an International Hong Kong

EXECUTIVE SUMMARY

- 1 Situated in the heart of Asia, Hong Kong is well-known as a global metropolis, an international center for trade, investments, financial services, commodities, and other commercial activities. Our strategic location, distinctive history, and international characteristics nurtured over the years have made Hong Kong a leading cosmopolitan city that is highly appealing to businesses from around the world, including Mainland China. Today, Hong Kong sees this positioning in jeopardy.
- 2 Therefore, the Chamber values the chance to convey our members' perspectives to the Government in response to the Chief Executive's Policy Address to advocate for a policy environment that enhances Hong Kong's international competitiveness and solidifies its position as a commercial hub, a gateway to Mainland China and the broader Asia-Pacific region, and an international financial center. Below is a summary of AmCham's key recommendations.
- 3 **Focus on the "Two Systems" framework and Hong Kong's distinct characteristics:** AmCham commends the Government's oft-stated commitment to maintaining Hong Kong's "One Country, Two Systems" governance framework. However, the impression among our members and many in the international business community is that the "Two Systems" aspect of this framework is not emphasized sufficiently. We encourage the Administration to emphasize publicly and take action on the "Two Systems" – such as the city's separate regulatory environment – with tangible examples of business-friendly regulation and increased governance transparency. Most importantly, specific measures to preserve the rule of law need to be articulated. This uniqueness of Hong Kong, as distinct from other Chinese cities, should be further emphasized, as it is crucial to maintaining the city's international position. The Government should also address any lingering misperceptions and hesitancy among foreign investors about Hong Kong's business environment. The Chamber stands by its suggestion of last year to set up an interagency "Two Systems" office in the HKSAR Government to ensure that "Two Systems" consideration is widespread in the government when devising policies.
- 4 **Maintain Hong Kong's role as an international business center:** As the gateway to the Greater Bay economy for the West, Hong Kong serves as the gold standard for international trade in and with the Greater Bay Area (GBA). For instance, Hong Kong has been a highly reputed international arbitration center in resolving commercial disputes reliably and fairly, and commercial law is an area where Hong Kong continues to enjoy tremendous advantages. We encourage the Government to continue promoting Hong Kong's international position across sectors and services. But again, action speaks louder than words.
- 5 **Toning down the National Security rhetoric:** With the passage of the Article 23 on the heels of the National Security Law, it is time for Hong Kong, especially the Government, to shift the focus and rhetoric away from "security". Our members hear from their international partners and headquarters that the doubts are on Hong Kong's "Two Systems", not on "One Country". And that is where Hong Kong needs to place the emphasis going forward.

6 As for Article 23 itself, many feel that judicious implementation serves Hong Kong best. But the business community needs legal clarity to operate and to preserve positive sentiment, and AmCham encourages the Government to publish well-defined guidelines offering straightforward interpretations and applications of the National Security Law and Article 23. The Government should seek to reassure the business community that laws related to Hong Kong's national security will be applied narrowly and consistent with the principles of an independent judiciary.

7 **Talent attraction and increasing Hong Kong's general competitiveness:** AmCham members are concerned about challenges in attracting talent to Hong Kong. Members support policies and programs that stimulate workforce participation and attract new talents from overseas. Ongoing efforts such as the Hong Kong Talent Engage (HKTE) and Office of Attracting Strategic Enterprises (OASES), and even the recent China visa scheme for Hong Kong permanent residents, should seek to attract a diverse and international business community to Hong Kong. To develop local talent, the Chamber advocates collaborations with the business community to promote career prospects, and any other efforts that would serve to retain and nurture local talents in various fields. These steps should be promoted and emphasized to citizens of the whole world, to ensure a balance from all regions of the world in implementation.

8 **Trade & Investment:** Hong Kong's connections with Mainland China and regional trading blocs like ASEAN are crucial for the city's economy. The Chamber recommends further liberalization policies to strengthen Hong Kong's position as a prominent international trade transit hub. This includes finalizing its entry into the Regional Comprehensive Economic Partnership (RCEP), working more closely with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and exploring further opportunities with the Digital Economy Partnership Agreement (DEPA). The Chamber applauds the Government's initiatives towards ASEAN, South Asia, and the Middle East, as Hong Kong can be a very fitting international link between them and Mainland China.

9 **Constitutional and Mainland Affairs:** AmCham celebrates the deeper economic integration between Hong Kong and Mainland China economies. Nonetheless, we call for more interoperable and transparent guidelines and mechanisms in facilitating that integration. More specifically, we recommend the Government establish a common repatriation channel, develop a special economic zone in the Northern Metropolis, manage wealth connection mechanism, and popularize the low-altitude economy.

10 **Education:** Reinforcing the importance of education for Hong Kong's position as an international hub, the Chamber particularly highlights the role played by independent, private, and international schools. We suggest the Government allow for greater scope for market determination in the sector and implement other deregulation strategies for these schools to accommodate migration needs and facilitate the Government's efforts in talent attraction and retention. Providing quality international education opportunities is essential for attracting and retaining top talent, which is critical for Hong Kong's economic future.

11 **Environment & Ecology:** While Hong Kong has made efforts to achieve its sustainability goals, AmCham emphasizes the need for a more holistic approach to decarbonize energy, buildings and the transport sectors, as well as a pragmatic strategy to combat food waste. We encourage the Government to take a proactive stance in building a greener and more sustainable society.

12 **Financial Services:** Hong Kong is poised to reinforce its status as a global financial powerhouse, with promising developments in cross-border cooperation, digital assets, and green finance. The city's strategic position and innovative financial schemes offer enormous growth potential. AmCham supports initiatives to enhance market access, improve regulatory frameworks, and attract international talent and capital. Hong Kong can elevate its global standing by capitalizing on emerging opportunities in family offices, private wealth management, and sustainable finance. With continued collaboration between the Government, regulators, and industry stakeholders, Hong Kong is well-positioned to lead the next wave of financial innovation and solidify its role as Asia's premier financial hub.

13 **Healthcare:** Hong Kong has developed a highly efficient healthcare system and achieved impressive health outcomes for its population over the years. To sustain this success, Hong Kong should retain its unique qualities and competitive edge by staying ahead of neighboring markets. A key priority is to establish the city as a bio-innovation hub with early access to medical innovations, including devices and new medicines, to attract multinational corporations. It is also vital to enhance access to a reliable healthcare system, particularly through expanding the Primary Care Blueprint to incorporate mental health services.

- 14 **Innovation & Technology:** AmCham highlights the remarkable advancements in Hong Kong's innovation and technology sector, positioning it as a global leader alongside major cities like Shenzhen and Guangzhou. As the region embraces the rapid evolution of generative AI and other technologies, Hong Kong should capitalize on the momentum to maximize its technological potential while reinforcing its position in the global market. Most importantly, free access to the internet and cyberspace and data, and the free flow of information in Hong Kong must be resolutely and vigilantly protected.
- 15 **Sports:** AmCham celebrates the immense success of Hong Kong athletes in the recent Olympic Games. We commend the Government's effort in nurturing talents in the sports sector. Riding on the high sports sentiments in the city, we encourage the Government to further its support for Tier A high-performance sports, enhance governance within the sector and position Hong Kong as an International Sports Centre. At the same time, the Government should also facilitate sports as a means of community engagement, such as by diversifying the range of sports in the school curriculum and improving the efficiency of related departments.
- 16 **Transport & Logistics:** While Hong Kong has always been a prime location for transport and logistics, the world's leading air cargo hub, and a gateway between the East and the West, ongoing improvements in these areas are essential to maintaining its global competitiveness. Key initiatives, such as enhancing integration with the GBA, implementing Electric Road Pricing, optimizing e-hail regulations, and establishing Hong Kong as a walkable city, are vital steps needed to elevate the transportation efficiency and overall livability. By addressing these challenges, Hong Kong can ensure its position as a premier hub for both residents and visitors alike.

Details of the Chamber's submission to the Policy Address of this year can be found in the following chapters. The Chapters urge that the Government consider seriously the points the Chamber submits in earnest, and we stand by to answer any questions. We look forward to the October Policy Address.

Table of Contents

1.	Commerce & Economic Development	5
2.	Constitutional & Mainland Affairs	7
3.	Culture, Sports & Tourism.....	10
	Culture	10
	Sports	12
	Tourism	14
4.	Education	17
5.	Environment & Ecology	21
6.	Financial Services & The Treasury	24
	Financial Services	24
	Insurance	28
7.	Health	31
8.	Home & Youth Affairs	34
	Women In Workplace.....	34
	Health in the Workplace.....	35
	Childcare	36
	Alternatives for Increasing Workplace Participation in Hong Kong	37
9.	Housing & Development.....	39
10.	Innovation, Technology & Industry	43
11.	Labor & Welfare	46
12.	Transport & Logistics.....	49

1. Commerce & Economic Development

17 AmCham is pleased to see the continued recovery of Hong Kong's economy following the complete resumption of economic activities and cross-border travel. The Chamber urges the Government to capitalize on the current recovery momentum and pursue economic and commercial opportunities for Hong Kong in both the GBA and the larger Asia Pacific region. AmCham looks forward to working together with the Commerce and Economic Development Bureau to further address the variety of issues faced by Hong Kong's trading and commerce sector during this period.

18 This chapter will focus on actions to:

- Consolidate and strengthen Hong Kong as a regional trade hub

Hong Kong as a Regional Trade Hub

19 Hong Kong continues to be a regional trade hub of substantial importance, ranked by the WTO in 2023 as the world's 10th largest economy in terms of merchant trade and 21st in terms of commercial services trade. We are pleased that trade has increased from April 2023 to April 2024 by 7.7% for exports and 0.5% for imports, a sign of economic recovery after the pandemic, and we encourage Hong Kong to continue policies to expand and promote trade.¹

20 As one of the most externally oriented economic entities worldwide, Hong Kong's external business networks with Mainland China and regional trading blocs such as APEC are a vital component of Hong Kong's economic strategy in the long run.

21 Asia has experienced significant economic growth over the past few decades. As of 2024, Asia Pacific Region has the highest Gross Domestic Product (GDP) based on Purchasing Power Parity (PPP).² It is foreseeable that the continuous economic growth will drive countries in the region to form regional trading alliances, seek closer economic ties and integration to sustain and enhance this growth; diversify their trade portfolio to reduce dependence on any single market; and facilitate cooperation in various sectors that aligns with national development goals, such as technology, infrastructure, and services.

22 To retain and strengthen Hong Kong's leading position on trade in merchandise and services, as well as on data governance, AmCham would like to see the Government pursue further trade liberalization and globalization policies. This would help consolidate Hong Kong's role as a leading trade transit hub by further simplifying trade procedures such as customs clearance. To achieve this, the Government could consider the following recommendations:

- Finalize entry to the Regional Comprehensive Economic Partnership (RCEP). AmCham recognizes the Government is closely monitoring relevant developments to join RCEP as soon as possible and looks forward to Hong Kong's entrance. ASEAN is Hong Kong's largest trading partner behind China, and entry to RCEP would facilitate greater economic activities.
- Explore opportunities to cooperate with the South Asian Association for Regional Cooperation (SAARC). For the past 10 years, ASEAN has been developing its inter-alliance-friendly relations with SAARC. By collaborating with SAARC, Hong Kong could strengthen its relationship with ASEAN and explore new opportunities to diversify its commercial portfolio.
- Explore opportunities to cooperate with or join the Digital Economy Partnership Agreement (DEPA). DEPA serves as a model for digital economy agreements in the future, aiming to address the evolving challenges and opportunities presented by the digital transformation of the global economy. Entry into DEPA can strengthen Hong Kong's role as a global leader in digital governance and economy.
- Continue to encourage strong trade control policies to ensure Hong Kong remains a trusted hub for trade and trade finance. AmCham appreciates Hong Kong's comprehensive strategic commodities control system, which

¹ Census and Statistics Department (2024, June 17). Volume and price statistics of external merchandise trade in April 2024. Press releases detail. https://www.censtatd.gov.hk/en/press_release_detail.html?id=5427

² IMF. (2024, April). GDP based on PPP, share of world. <https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD>

mandates that dual-use goods require a license for import, export, and transshipment. The Government should continue to promote this feature that aligns with international export control regimes such as the Wassenaar Arrangement, the Nuclear Suppliers Group, and the Missile Technology Control Regime (MTCR), to build a reputation of Hong Kong as a reliable trading hub for the world.

2. Constitutional & Mainland Affairs

23 Hong Kong is a prosperous and prospective economic entity with significant impacts on the global economy. As of 2023, Hong Kong maintains the 4th place in the Global Financial Centers Index,³ manifesting its prestigious status as an international financial center. Hong Kong’s status as an international hub has cultivated a profoundly unique model of development based on the constitutional principle of “One Country Two Systems”, a high degree of autonomy, rule of law, free flow of capital and other international best practices—traits that make Hong Kong particularly well suited to take the lead in internationalizing the frontier regions within Mainland China, such as the GBA.

24 AmCham firmly believes that at the heart of Hong Kong’s continuous development lies the support from Mainland China and its economic foundation. Economic cooperation between Hong Kong and Mainland China has deepened over the years through various initiatives, such as the Closer Economic Partnership Arrangement (CEPA) and the Hong Kong-Guangdong Cooperation Framework. In 2023, the bilateral trade between Hong Kong and Mainland China amounted to more than HK\$2,200 billion, making Mainland China the largest trading partner for Hong Kong.⁴ Across sectors, AmCham members continue to be deeply interested in the opportunities that the Mainland offers.

25 Despite deeper economic integration between Hong Kong and Mainland China economies, interoperable and transparent guidelines and mechanisms have not been sufficient. While AmCham appreciates the Government’s effort to improve the relations between the Mainland and Hong Kong, we offer the following suggestions to further foster economic reciprocity between the two.

26 This chapter will focus on four key specific areas:

- Establish a common repatriation channel
- Develop a special economic zone in the Northern Metropolis
- Manage wealth connection mechanism
- Popularize low-altitude economy

Establish a Common Repatriation Channel

27 With economic globalization, it is increasingly common for companies operating in foreign regions to repatriate their profits back to their home countries and in their currencies.

28 While AmCham supports the Government’s effort to explore foreign investment opportunities on a global scale, many enterprises have not shown enthusiasm in embracing these opportunities due to the inconvenience of repatriation. Currently, Hong Kong and the Mainland have not established an interoperable and transparent repatriation channel. This causes hesitation among potential foreign investors in the Mainland with Hong Kong as a gateway due to concerns about the risks associated with capital flow during the repatriation process. Therefore, AmCham urges the Government to:

- Collaborate with Mainland China to establish an interconnected repatriation channel to ease the free flow of capital, enhance the trust of investors and facilitate the internationalization of the GBA.

Develop A Special Economic Zone in the Northern Metropolis

29 The Northern Metropolis, a large-scale urban space dedicated to promoting the integrated development of Hong Kong and Shenzhen and the connectivity of GBA regions, is strongly backed by AmCham. Prospectively, it will be developed as an international innovation and technology hub, serving as an innovative complement to the Harbor Metropolis.

³ The Government of the HKSAR. (2024). Hong Kong maintains fourth place in Global Financial Centers index. Press Releases. <https://www.info.gov.hk/gia/general/202403/21/P2024032100673.htm>

⁴ Economic and Trade Information on China. HKTDC research. (2024, July 30) <https://research.hktdc.com/en/article/MzIwNjcyMDYx#:~:text=According%20to%20China's%20Customs%20Statistics,export%20market%2C%20after%20the%20US.>

30 Cross-border collaboration is essential to achieve this goal, as the Northern Metropolis aims to create an economic and urban zone leveraging the strengths of both regions. The Northern Metropolis concept emphasizes cooperation and integration with adjacent areas in Mainland China that are under the jurisdiction of the Central Government. However, developing the project across two jurisdictions has brought challenges in policy implementations.

31 For instance, while the “2017 Memorandum of Cooperation” recognizes the Lok Ma Chau Loop as Hong Kong territory, it remains an unincorporated area under Mainland China’s jurisdiction. This complicates development as the Hong Kong Government must negotiate with Shenzhen on various issues. Conversely, Hung Shui Kiu is governed by the HKSAR, allowing for more straightforward development, as exemplified by the creation of its railway station under the Railways Ordinance.

32 Particularly, professional qualifications and standards between Mainland China and Hong Kong are yet to be aligned and have impeded the Northern Metropolis’s development by hindering talent recruitment. To facilitate the development of the region, AmCham suggests the Government should:

- Work with the Central Government in establishing the Northern Metropolis as a “Special Economic Zone” with its own set of legal frameworks consented to by the two Governments. Such a framework allows effective talent recruitment from both regions under simpler qualifications and status requirements, in turn encouraging the settlement of innovative industries, such as the longevity medical industry and the Artificial Intelligence industry.

Manage Wealth Connection Mechanism

33 The Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao GBA, also known as version 2.0 of the "Cross Border Wealth Management Connect (WMC), is launched as one of the key initiatives of the capital market interconnection mechanism between the Mainland, Hong Kong and Macao.

34 The scheme, launched in 2021, allows eligible residents of the Mainland, Hong Kong and Macao in the GBA to invest in wealth management products distributed by banks through the closed-loop capital channels established by their respective banking systems. The greatest breakthrough of the scheme is its provision of a formal and convenient channel that allows retail investors to directly open and operate investment accounts across borders for the first time, giving them greater flexibility in choosing financial products. In January 2024, enhancement measures for the cross-boundary WMC were announced to refine the eligibility criteria of Mainland investors, which include expanding the scope of participating institutions and eligible products and increasing individual investor quotas. The scheme has diversified the financial markets in all three places, facilitated cross-border investment and promoted cross-border capital flow and the use of renminbi (RMB).

35 However, the impact of the scheme has been limited in some regards, namely in encouraging investments from high-net-worth individuals. More specifically, increasing the individual investment quota from 1 million RMB to 3 million RMB has not necessarily contributed to more cross-border investments, as wealthier individuals such as private bank clients do not quite see an advantage or need to diversify their asset portfolio with quota restrictions. In other words, once the quota is reached, even if investors want to replenish or re-invest after the value of securities falls, they are not allowed to do so. In view of this, AmCham recommends that the Government should:

- Work with the Macao SAR Government and the Central Government to refine the current Wealth Management Connect program by increasing the individual investment quotas or creating more routes for different kinds of wealth connect within the program, thereby expanding the effectiveness of the strategy to market value growth/decline, in addition to the initial investment.

Popularize Low-Altitude Economy

- 36 “Low-altitude economy” was first introduced in the Report on the Work of Government 2024 at the National Two Sessions this year, joining the ranks of strategic new industries.⁵ Low-altitude aviation equipment in the Mainland’s economy is estimated to reach a trillion-level market size.⁶
- 37 As of now, the 3 core low-altitude economic cities are Guangzhou, Shenzhen, and Zhuhai in the GBA, and they have made significant progress. For example, EHang Intelligent Technology Co. in the Guangzhou Development Zone has already obtained the unmanned aircraft type certificate, standard airworthiness certificate and production license issued by the Civil Aviation Administration of China.
- 38 The interconnectedness between Hong Kong and 9 Mainland cities in the GBA has made the uprising concept of “low altitude economy” a prospective opportunity for Hong Kong to further develop its economy. While the Mainland has made great strides in the development of a “low altitude economy” in the past few years, Hong Kong has just started exploring the concept only recently. It is crucial for the Hong Kong Government to follow the Central Government’s footsteps and leverage this opportunity to explore the economic potential. AmCham, thereby, urges the Government to:
- Set up a working group for low-altitude economy development and implement test flight projects in different application scenarios to obtain actual data to build a low-altitude management system.

⁵ Lo, K., & Lee, A. (2024, July 11). Reach for the sky: China’s low-altitude economic plans see uavs surge by 48%China’s “low-altitude economy” soars as UAVs surge by 48 ...South China Morning Post<https://www.scmp.com/economy/china-economy/article/3269953/chinas-low-altitude-economy-soars-uavs-rise-48-regulator-eyes-healthy-development>

⁶ Ma, S. (2024, June 18). Low-altitude economy poised for takeoff. chinadailyhk. <https://www.chinadailyhk.com/hk/article/585922>

3. Culture, Sports & Tourism

Culture

39 Hong Kong has always been an international cultural hub in Asia. The inopportune arrival of the pandemic however might have changed this and impacted the local cultural scene. With pandemic measures lifted and Hong Kong reopened, the Chamber believes that the Government should put in increasing efforts to boost the city's tourism to pre-Covid levels while supporting its own arts and cultural scene. In particular, it is hoped that there will be a concrete action plan to address the following areas:

- Ticketing
- Venues and talents
- Government subsidies
- Telling Hong Kong's unique story on the global stage

Ticketing

40 Hong Kong boasts a vibrant cultural scene with numerous events, ranging from concerts and museum exhibitions to community activities. It has been noted that it can often be tough to learn about these events due to the absence of a centralized platform that consolidates and presents a list of events available in Hong Kong. As a result, the fragmented nature of event information across various platforms often leads to confusion and inconvenience for users; people from overseas may find it difficult and lost to get themselves engaged in cultural events.

41 Despite the creation of Mega Events Calendar last year, AmCham suggests that the Government should revamp what currently exists into a unified portal with improved and user-friendly interface, providing a single point of access for all cultural and recreational events in Hong Kong. To this end, the portal will:

- Create a centralized platform that aggregates event details from various organizations, including ticketed and non-ticketed events
- Develop an intuitive and accessible interface that caters to both tourists and local citizens
- Ensure that information from all relevant sources is covered, such as the Hong Kong Tourism Board (HKTB), Radio Television Hong Kong (RTHK), and other Government and cultural websites
- Seamlessly integrate with existing ticketing platforms to facilitate easy booking of tickets

Venues and Talents

42 AmCham recognizes the Government's effort in sparing and creating more venues for large-scale international cultural, entertainment, and sports events. We believe that these developments are paramount in enhancing Hong Kong's local art and cultural scene, as much as they will be attractions and venues for international events and exhibitions. Thus, the Chamber believes the Government should:

- Provide incentives to schools, universities, and revitalized sites to encourage the creation of more free spaces and facilities for public use and event organization. We anticipate a looming shortage of venues in the near future. The Kai Tak Sports Park⁷, projected to be Hong Kong's largest sports venue upon completion, has already faced delays. Additionally, the requirement for applicants to submit requests for Government-owned venues a year in advance further complicates the situation, deterring international performers and event organizers from considering Hong Kong as a viable option. Given that the expansion of existing cultural and entertainment venues will take several years, offering incentives to utilize educational institutions and revitalized sites can serve as an

⁷ South China Morning Post. (2023, August 19). Hong Kong's Kai Tak Sports Park to open in first half of 2025; official rejects noise fears. *South China Morning Post*. <https://www.scmp.com/news/hong-kong/society/article/3266684/hong-kongs-kai-tak-sports-park-open-first-half-2025-official-rejects-noise-fears>

immediate alternative solution to the current venue shortage. Notable examples include the Grand Hall at the University of Hong Kong and the Mills by Nan Fung Group.

- Establish a dedicated Government unit to facilitate coordination between international producers and local firms, and create an accessible directory of producers alongside a comprehensive database of resources and funding information. Currently, overseas artists face significant challenges in navigating Government funding applications and identifying local partners for staging their events in Hong Kong. Such lack of connectivity not only limits opportunities for foreign artists to perform, but also stifles growth for local talents and businesses. By implementing the proposed measures, we can ensure smoother collaborations between international artists and local stakeholders, increasing the likelihood that artists will choose Hong Kong for their tours. This, in turn, will enhance the overall attractiveness of Hong Kong as a destination for international acts, and ultimately benefit both local talents and the economy.
- Establish a creativity lab and masterclasses with international celebrities to nurture and train talents. Our members revealed that there is a growing interest among young people in Hong Kong to become artists or performers. The city has a vibrant art scene, with various opportunities and platforms for young talent. The Chamber encourages the Government to consider establishing a creativity lab, where international celebrities and professionals are incentivized and invited to teach and train local talents in Hong Kong.

Government Subsidies

43 AmCham greatly appreciates the Government's endeavors in Hong Kong's art development. The various subsidies to aid artists and companies are of great importance to help them further enhance and develop their artistry. To better facilitate this process and maximize the impact of these subsidies, the Chamber would like to suggest the following:

- Establish a sustained subsidy framework to support the local entertainment industry. AmCham appreciates initiatives like the Film Development Fund. However, the one-off nature of these efforts fails to address the long-term sustainability challenges that producers face in today's competitive market. By implementing a continuous support structure, the Government can ensure consistent funding and resources that enable local productions to thrive and compete internationally. This sustained support would not only bolster the entertainment industry but also help preserve Hong Kong's unique culture through its cinematic endeavors.
- Review and lower the application threshold for subsidies. The Chamber welcomes the Government's initiative to allocate funding aimed at revitalizing the cultural and entertainment sectors. However, the existing high application thresholds often restrict access to these valuable opportunities. For example, the funding offered by the Hong Kong Tourism Board's Pilot Scheme for Characteristic Local Tourism Events is limited solely to registered non-profit organizations. By streamlining these requirements, more individuals could apply for funding, thereby nurturing a more diverse range of artistic talent.

Telling Hong Kong's Unique Story on the Global Stage

44 AmCham underscores the importance of promoting Hong Kong's creativity globally and acknowledges the Government's vital role in enhancing the city's international brand. By highlighting Hong Kong's unique cultural narrative that blends Chinese and Western influences, we can bolster its reputation as a cultural hub. We urge the Government to:

- Enhance support for local film productions by expanding the First Feature Film Initiative (FFFI)⁸. AmCham commends the Government's commitment to the local film industry, evident in the impressive success of films like "In Broad Daylight," which achieved a remarkable box office of HK\$21.43 million. While celebrating the achievements showcased at the 48th Hong Kong International Film Festival, we urge the Government to not only maintain but also expand its subsidies for local filmmakers. Specifically, we recommend broadening the criteria for the FFFI to include directors or scriptwriters who have completed fewer than five films, rather than requiring zero prior experience. By strengthening support for emerging talents, the production of high-quality local films can be fostered, thereby elevating our cultural presence on the global stage.

⁸ South China Morning Post. (2023, July 15). How Hong Kong's First Feature Film Initiative subsidies helped a new generation of directors, and how everyone's a winner. *South China Morning Post*. <https://www.scmp.com/lifestyle/entertainment/article/3241471/how-hong-kongs-first-feature-film-initiative-subsidies-helped-new-generation-directors-and-how-every>

Sports

45 AmCham recognizes the significant strides made in developing Hong Kong as a premier host city for international events over the past year. With the anticipated opening of the Kai Tak Sports Park in the first half of 2025⁹ and the continuous evolution of the Culture, Sports and Tourism Bureau, we are enthusiastic about the potential for more innovative and cohesive policies to advance the sports and events sectors.

46 This section focuses on six key pillars that will drive growth and development in sports:

- Community engagement in sports
- Support for elite sports
- Positioning Hong Kong as an international sports center
- Enhancing governance of the sports sector
- Further plans to incorporate motorsport
- Professionalization and ESG integration in sports

Community Engagement in Sports

47 AmCham recognizes the necessity of engaging districts and communities through sports. The opening of the Kai Tak Sports Park presents a substantial opportunity to promote physical health and expand the availability of recreational facilities for citizens. However, an existing challenge is the lack of convenience and accessibility in booking these venues¹⁰, resulting in their current underutilization. Therefore, AmCham recommends the following measures to enhance efficiency:

- Streamline online booking systems to deliver a modern and user-friendly experience for individuals utilizing public sporting grounds, encompassing vacancy rates and available venues.
- Introduce KPIs to incentivize staff at the Leisure and Cultural Services Department (LCSD). AmCham has identified a deficiency in mobility and work efficiency among LCSD personnel, with reports indicating a lack of motivation to effectively manage library operations.¹¹

48 Regarding the integration of sports into the schooling system, we acknowledge the lack of diverse sports offerings in primary, secondary, and tertiary education, despite ongoing efforts by various educational institutions to incorporate 'new ball' sports such as lacrosse and hockey. Therefore, AmCham advocates for the implementation of robust policies within the education system to mandate that physical education curricula include a wider array of sports. This approach aims to engage students more effectively and broaden their perspectives, particularly as Hong Kong aspires to become an international sports hub. Cultivating a solid foundation for future generations must begin with our students and educational framework.

⁹ Kai Tak Sports Park Takes the Lead in Promoting Green Sports Practices to Create an Eco-friendly and Low-carbon Venue for Sporting Events. Kai Tak Sports Park. (2024, April 21). <https://kaitaksportspark.hk/en/kai-tak-sports-park-takes-the-lead-in-promoting-green-sports-practices-to-create-an-eco-friendly-and-low-carbon-venue-for-sporting-events/>

¹⁰ Wong, A. (2023, November 10). Smartplay fails to live up to name on debut. The Standard. <https://www.thestandard.com.hk/section-news/section/4/257711/SmartPlay-fails-to-live-up-to-name-on-debut>

¹¹ 星島頭條網. (2023, April 27). 圖書館管理低效 康文署須速推補救措施

<https://www.stheadline.com/article/3225286/%E5%9C%96%E6%9B%B8%E9%A4%A8%E7%AE%A1%E7%90%86%E4%BD%8E%E6%95%88%E5%BA%B7%E6%96%87%E7%BD%B2%E9%A0%88%E9%80%9F%E6%8E%A8%E8%A3%9C%E6%95%91%E6%8E%AA%E6%96%BD>

49 Furthermore, there has been poor response from sports clubs seeking to utilize school campuses, highlighting a significant area for policy improvement.¹² Currently, sports clubs rely largely on the limited public venues, while many school campuses possess sporting facilities that remain underutilized outside of school hours. Meanwhile, emerging sports recognized by the International Olympic Committee, such as drone racing, necessitate much larger venues than those typically available on school campuses.¹³ Traditional football fields could be slightly modified to become more versatile, accommodating various rental types. AmCham believes that the Government should address the needs of new sports teams that demonstrate potential and consistently achieve results in international championships.

50 Additionally, there has been a noticeable disconnection between district councils and the sports sector, resulting in weak inter-district competition and overall sports awareness. Promotional efforts can be significantly improved, and there is a pressing need to liberalize unused spaces for sports activities. Therefore, AmCham recommends the following measures to bridge the gap and mitigate potential alienation towards sports:

- Elect a dedicated sports leader or establish a sports committee within the district council focused exclusively on fostering initiatives to promote physical health, sports tournaments, and events within the district. Additionally, cross-district competitions should be elevated and promoted at a higher level, such as through the Hong Kong Festival of Sport (FOS).

Support for Elite Sports

51 AmCham appreciates and supports the Government's keenness to promote sports through hosting mega-events. There is, however, a concern in the execution of such programs, as current world events are usually staged over a 4-year cycle, with planning taking place usually 2 years ahead of time. To address this, the Chamber suggests the Government actively assess the structures and policies for staging various world-level competitions and use those as a timetable to plan for Hong Kong to bid as a host city.

- Broaden funding to encompass a more diverse range of sports
- Quantify elite sports (also known as Tier A high-performance sports)¹⁴ rankings using a comprehensive five-criteria policy assessment scale, including Promoting Community Participation, Supporting Elite Athletics, Hosting Major Events, Enhancing Professionalism, and Fostering the Sports Industry
- Enhance transparency in the funding process by clearly outlining criteria and procedures, ensuring equitable access and enabling stakeholders to understand and navigate the allocation system
- Initiate specialized athlete talent programs and enhance global exposure through targeted digital marketing strategies

Positioning Hong Kong as an International Sports Centre

52 From an athlete's perspective, Hong Kong's status has consistently been associated with a compelling narrative of top-tier training personnel and state-of-the-art facilities, supported by both private and public sectors to enable athletes to excel. Conversely, from the spectators' viewpoint, Hong Kong's ability to emerge as an international sports hub is significantly influenced by the quality of events and the degree of fan engagement. Therefore, AmCham advocates for the following improvements:

¹² Chan, M. (2024, January 1). No more Siobhan Haugheys unless Hong Kong updates sport facilities, coach warns. South China Morning Post. <https://www.scmp.com/sport/hong-kong/article/3246795/hong-kong-wont-produce-olympic-talent-siobhan-haughey-unless-it-builds-world-class-sport-facilities>

¹³ 無綫新聞 TVB News. (2024, July 11). 【時事多面睇】競速無人機缺乏正規訓練場地 議員倡政府靈活編配用地: 無綫新聞 TVB news. 無綫新聞 TVB News.

¹⁴ Elite sports. Culture, Sports and Tourism Bureau. (n.d.). <https://www.cstb.gov.hk/en/policies/sports-and-recreation/sports-policy/supporting-elite-sports/elite-sports.html#:~:text=%20Badminton%2C%20cycling%2C%20fencing%2C,medallists%20at%20the%20Olympic%20Games.>

- Develop integrated strategies with targeted metrics, including impression goals and sponsorship amounts, to attract distinguished guests and celebrities to attend events.
- Establish a centralized point of contact within the Government for event organizers coordinating leagues and tournaments. The current structure is marked by lengthy liaison processes and a passive approach, which makes it challenging to turn ideas into reality.

Enhancing Governance of the Sports Sector

53 When treating sports as a formal industry, it is essential to continuously enhance standards in various areas to meet global benchmarks. Thus, AmCham recommends the following measures:

- Increase transparency within sporting associations and provide more guidance for internal staff and external parties. For example, the governance of sports associations, such as the Sports Federation and Olympic Committee of Hong Kong, should be enhanced to avoid conflicts between athletes and their governing body.
- Introduce a qualification system for sporting directors and coaches. Currently, many directors lack experience in the sports they oversee, thus the selection criteria should place greater emphasis on quantifiable results to ensure a more comprehensive coaching environment for the rising athlete, and more pragmatic management strategies can be implemented within the sports associations.

Further Plans to Incorporate Motorsport

54 In light of recent discussions in the Legislative Council regarding proposals to construct a motor racing circuit on the Sunny Bay reclamation site,¹⁵ AmCham urges the Government to reconsider plans related to hosting premier motorsport events in Hong Kong. This recommendation considers successful examples from neighbouring regions, such as Macao’s Guia Circuit, Singapore’s Marina Bay Street Circuit, and Malaysia’s Sepang International Circuit.

55 Such a move could potentially transform Hong Kong into a hub that attracts both international spectators and participants while fostering local interest in motorsport. Additionally, the establishment of such a facility would not only benefit the tourism and hospitality sectors but also create numerous job opportunities and encourage technological advancements in related industries.

Professionalization and ESG Integration

56 AmCham adheres to the imperative goal of spreading information about the business and commercial side of the sports industry to the general public. We also believe that ESG measurements should be included in funding considerations and infrastructure review of public facilities, especially with the new Kai Tak Sports Park’s catering operations. Hence, AmCham recommends the following:

- Create sports-related entertainment programs in collaboration with the media sector to allow more people outside of the industry know about the perks of a career in sports
- Introduce different niche sports in schools such as cricket, water polo, handball, etc.
- Tie in funding support for ESG, requiring sporting events to comply with ESG milestones to obtain extra funding

Tourism

57 AmCham appreciates the Government’s leadership in guiding Hong Kong through the reopening-up process after the very challenging 4 years of pandemic. We are glad to see that tourism is progressively recovering—with a rebound of

¹⁵ GovHK. (2024, May 29). LCQ5: Venues and supporting facilities for holding mega events. <https://www.info.gov.hk/gia/general/202405/29/P2024052900248.htm>

34 million visitors by the end of 2023.¹⁶ We hope to see the city meeting the Hong Kong Tourism Board’s ambitious anticipation of having 46 million visitors this year—35% higher than last year.¹⁷

58 However, the recovery rate of tourists in 2023 is only 51% of the pre-pandemic level in 2018, compared with Singapore’s 71% recovery rate of the pre-pandemic level.¹⁸ The current air capacity between Hong Kong and the U.S. recovers only at 65% of pre-pandemic level. Our members agree that the tourism sector is still yet to be fully rebounded. There are several recommendations from AmCham for the Government to consider:

- Strategically promote Hong Kong to target long-haul tourists
- Promote Hong Kong as a tourist-friendly city
- Support the entertainment industry to attract tourists
- Maintain a good harbourfront image

Strategically Promote Hong Kong to Target Long-haul Tourists

59 AmCham appreciates the Government’s ongoing effort to promote tourism. As the Financial Secretary addressed, a massive amount of HKD1.09 billion will be earmarked as the tourism promotional budget for 2024-25.⁴ As a whole, the Government’s strategic engagement has effectively attracted short-haul tourists to come and visit. While we observed that short-haul tourism is steadily boosting, long-haul tourism in Hong Kong has been recovering slowly. In 2023, the long-haul visitor arrival has only recovered to 42% of pre-pandemic level in 2018. Our members noted that Hong Kong has always been one of the most attractive Asian destinations for travelers from the U.S. and Latin America. Unfortunately, due to the city’s late reopening-up, other regions have then taken advantage of such an opportunity and attracted more long-haul tourists from the two places. In continuance to pursue the positive progress in recovering tourism, AmCham urges the Government to:

- Revitalize efforts to restore the number of long-haul tourists to pre-COVID levels. In 2023, it was noted that the per capita spending of long-haul overnight visitors was 23% higher than that of short-haul visitors,⁵ indicating that long-haul travelers generally have a greater spending budget and purchasing power. Consequently, developing a strategic framework to attract these tourists could effectively sustain the tourism sector in the long run.

Promote Hong Kong as a Tourist-friendly City

60 Known as one of the world’s most diverse, prosperous, and free cosmopolitan cities, Hong Kong has long been an ideal tourist destination. However, our members observed that the recent social issues, together with the influence of global media, have tarnished the city’s global reputation, leading to a decline in tourism, particularly for long-haul tourists. AmCham urges the Government to:

- Act to enhance Hong Kong’s image as a tourist-friendly destination. This includes developing more tourist-friendly facilities, highlighting the city’s natural landscape and eco-tourism opportunities, and showcasing Hong Kong’s unique diversity, culture, and safety to the international community.

Support the Entertainment Industry to Attract Tourists

61 AmCham supports the Government’s ongoing efforts in hosting, planning, and organizing mega events in Hong Kong. One such successful initiative is the installation titled “Continuous” at Tamar Park, featuring approximately 200 illuminated egg-shaped objects that have captured the attention of millions of locals and tourists. The upcoming

¹⁶ Hong Kong Tourism Board. (2024, January 13). HKTb announces 34 million full-year visitor arrivals in 2023. HKTb Press Release. <https://www.discoverhongkong.com/content/dam/dhk/intl/corporate/newsroom/press-release/hktb/2024/01-2023-Full-Year-Arrivals-E.pdf>

¹⁷ Cheung, E., & Li, A. (2024, July 16). Hong Kong welcomes 21 million tourists in first half of 2024, 64% jump. South China Morning Post. <https://www.scmp.com/news/hong-kong/society/article/3270609/hong-kong-welcomed-21-million-tourists-first-half-2024-64-jump-last-year#:~:text=The%20board%20earlier%20said%20it,visited%20the%20city%20in%202018.>

¹⁸ CNA. (2024, February 1). Singapore sees tourism recovery in 2023 thanks to China, Indonesia, Malaysia visitors. South China Morning Post. <https://www.scmp.com/news/asia/southeast-asia/article/3250580/singapore-sees-tourism-recovery-2023-thanks-china-indonesia-malaysia-visitors>

Clockenflap Music and Arts Festival, expected to be the largest outdoor music festival event in Hong Kong's history, is a promising development for the entertainment and tourism sectors. In addition, the announcement by the Financial Secretary to host monthly firework displays and drone shows, and the revamp of the nightly "A Symphony of Lights", indicates a commitment to enhancing the city's entertainment offerings. AmCham recommends that the Government continue to:

- Collaborate with internationally renowned teams and local artists to create innovative outdoor installations and entertainment events that fuse art, science, and technology, providing fresh experiences for residents and tourists. These efforts will position Hong Kong as an international cultural hub.

Maintain a Good Harbourfront Image

62 Hong Kong is well-known for its sparkling night view filled with skyscrapers and dazzling neon lights. Of which, the Central Harbourfront event space is home to popular tourist attractions such as the Hong Kong Observation Wheel. It has hosted events like the AIA Vitality Park and Hong Kong ePrix of Formula E, and offers a nice view of Victoria Harbour, considered one of the world's most impressive natural harbors. However, recent maritime construction projects in the Harbourfront area have led to the closure of several open spaces, which are often used as venues for mega-events. AmCham urges the Government to:

- Plan out a strategic framework that designates open spaces for both tourists and residents, while also ensuring the progress of ongoing development projects

4. Education

63 From nurturing human capital to cultivating the socio-cultural awareness of the next generation, the education sector is the backbone of Hong Kong’s economy and society. In the tertiary education sector, Hong Kong is at the “head of the class” in the world with five universities in the Top 100 QS or Times Higher Global Universities Rankings. However, while Hong Kong has historically secured the Top 10 ranking across Mathematics, Science and Reading for the most part in the Programme for International Student Assessment (PISA), for the past few years, Hong Kong has fallen behind in its ranking compared to Singapore. Creative thinking in particular has been a major concern for educators in Hong Kong, as pupils fell below the global OECD average by a point in the latest 2024 Assessment.¹⁹ Referring to this as a “wake-up call” for a change in “attitudes” towards creativity in the classroom, this would be a timely opportunity to re-evaluate the local curriculum and teaching approach.²⁰ This also sheds light on the pedagogy of international schools, which puts greater emphasis on creativity, critical thinking and a holistic, inquiry-led learning experience, rather than focusing on achieving academic excellence solely. This prompts a rethinking of the Government’s regulation of international schools and Private Independent Schools (PIS) in order to help Hong Kong maintain its status as a global hub and expand its attraction to local talents.

64 This chapter will focus on the recommendations to the Government to:

- Devise a more coordinated and transparent plan under a more accountable office
- Increase capacity in international school places to accommodate talent migration needs
- Enhance the autonomy of international schools
- Establish a market-based mechanism for private international schools
- Increase STEM opportunities for female students

Devise a More Coordinated and Transparent Plan under a More Accountable Office

65 To ensure Hong Kong remains an attractive destination for global talent and to accommodate the significant growth anticipated from recent and future talent attraction schemes, it is crucial to proactively devise a long-term strategic plan for international education (including school places and the provision of multiple curriculum options) to support the children of Chinese-speaking and Western talents. AmChcam greatly appreciates the progress made in the set up of the Infrastructure, International School and Statistics Division (IISSD), which is a step in the right direction to support schools in achieving necessary compliance goals. In addition to the IISSD, to build a more transparent, responsive and efficient education ecosystem in Hong Kong, AmCham recommends the Government to:

- **Establish a high-level International Education Office** dedicated to the international school sector. High-qualified education industry leaders with experience in a diversity of approaches to international education curricula, and their common focus on building the skills needed for the future workplace, should be put into key decision-making positions and engage with international companies for stakeholder input and their expertise. This expertise should benefit the entire Education Sector by creating KPIs that measure and support the development of these areas. It is also necessary for this Office to communicate and create education-specific targets with various Government Bureaus, such as the Talent Engage Office, Education Bureau (EDB), Lands, and the Immigration Department.

Increase Capacity in International School Places to Accommodate Talent Migration Needs

66 While we commend the success of the Government’s talent attraction scheme from the GBA, there is also a concern regarding the availability of international places, especially at the secondary level, and the crowding out of the children of non-Chinese-speaking expat families. International school places account for only roughly 5% of all student places, and capacity utilization is currently above 90%, and most top tier (attractive) international schools have become oversubscribed. In addition, regardless of whether parents hold foreign passports, those who can afford private

¹⁹ Schleicher, A. (2023). PISA 2022: Insights and Interpretations. Programme for International Student Assessment. [https://www.oecd.org/pisa/PISA 2022 Insights and Interpretations.pdf](https://www.oecd.org/pisa/PISA%2022%20Insights%20and%20Interpretations.pdf)

²⁰ Mycroft, C. (2024, June 18). Hong Kong students score behind first-place Singapore in creative thinking. South China Morning Post. <https://www.scmp.com/news/hong-kong/education/article/3267131/hong-kong-students-score-behind-first-place-singapore-global-study-creative-thinking>

education in Hong Kong are the very talent the city needs to retain, and their children are the top performers Hong Kong must nurture for its future workforce. The EDB-commissioned 2024 survey by Policy 21 indicates that local students account for 35% of enrolments at international schools, up from less than 30% in 2012. A quota of 30% would result in only 1.5% of all places being international places available to Hong Kong talents, and would require international schools to limit admissions for the youngest Hong Kong children, potentially impacting the already low birth rate. The inability of some parents to put their children at international schools might further encourage them to migrate to places where their children could study an international curriculum, thereby worsening the brain drain in Hong Kong. Therefore, AmCham urges the Government to:

- Create more international school places/campuses on Hong Kong Island, as that is where most financial and legal professionals work and reside. The Government may consider repurposing vacant local school campuses as immediately available resources to match with existing demands.
- Eliminate the quota of local students enrolled in international schools

Enhance the Autonomy of International Schools

67 International schools in Hong Kong play a key role in supporting the macro-objective of retaining and attracting talent. But despite decades of efforts and time spent to improve international education by the Hong Kong Government, parents, international educators, and the business and expatriate community, many aspects of international education still require improvement—especially as the world and Hong Kong are now changing rapidly.

68 Among the 2,081 surveyed corporations with employees who were current or previous holders of employment visas, 57.7% fully agreed” or “agreed” that “having international schools preferred by parents is very important to Hong Kong as [a] city for international business”. Similarly, 55.6% were recorded supporting “having international schools preferred in Hong Kong will help attract talents from outside Hong Kong to come to work in Hong Kong”.²¹ The current regulatory framework for international schools in Hong Kong is not conducive to nurturing a robust international school ecosystem to support top talents. Primarily, the barriers to building such an ecosystem are the constraints of the Education Ordinance, as well as the prohibitively expensive property costs and extreme land shortage available to international schools in Hong Kong.

69 Although there is no quick fix to the problem of land shortage, we suggest for consideration a possible solution to ease the regulatory obstacles for the international school sector to reach its full potential. The international business community would like to request the HKSAR Government allow private schools to operate in a more market-driven and autonomous manner to improve the efficiencies in the education sector, so as to enhance Hong Kong’s competitiveness in attracting and retaining talents and businesses.

70 To achieve this goal, we offer three suggestions:

- **Loosen regulations for private and international schools.** Firstly, we see the merits of exempting private and international schools from the Education Ordinance, as the Ordinance subjects private institutions to stringent Government regulations that set them apart from other free-market sectors elsewhere, and provides no suitable appeals process for non-local curriculum schools, unlike the Non-Local Tertiary Ordinance. It is necessary to evaluate whether the suite of Ordinances related to education supports the growth of a robust and market-responsive education ecosystem. Schools must be permitted and encouraged to work creatively and responsively to best serve the needs and interests of a fast-changing population, which is only possible by exempting private educational institutions from fee charging and place offering restrictions defined in the regulations.
- **Re-evaluate regulation regarding capital fundraising.** The 2020 Ombudsman report regarding the EDB’s mechanism for approving applications for school fee revision resulted in an immediate attempt by the EDB to respond to the report, which has also created hurdles for private and international schools to raise capital for the

²¹ *Study on the Provision of International School Places in Hong Kong*. Education Bureau. (n.d.). https://www.edb.gov.hk/attachment/en/about-edb/publications-stat/research-report-abstracts/executive_summary_201702.pdf, p. 6.

development of the sector. The Government’s policy released in August 2023 to regulate international school’s collection of Debentures and other Capital fees would make it challenging for schools to raise the capital funds needed to create new international schools, because embedded in this application is the EDB’s determination that “normal facilities related costs” cannot be covered by “other fees”, thereby making “buy and rent back” schemes impossible. This will have a significant unintended consequence of a chilling effect on the ability of Hong Kong to attract international school services and other public services companies upon which our City depends.²² The Chamber, therefore, kindly asks the Government to reconsider said regulation.

- **Re-evaluate regulation regarding tuition and fees.** We acknowledge the importance of the Infrastructure, International School and Statistics Division (IISSD) in regularizing fee-charging mechanisms for international schools. That being said, the current by-month fee-charging mechanism that applies to most international schools established after 2002 creates mismatches in supply and demand, and does not put them on a level playing field globally. Currently, only some international schools granted an exemption by their Regional Education Office were permitted to charge by term, all others were required to follow the local school practice of charging fees by month, with no deposit or charges in advance. We urge the EDB to reevaluate the current practice of granting exemptions, such that parents are free to make their own choices for matching prices with education services and take responsibility for ensuring the chosen school is fully accredited.

Establish a Market-Based Mechanism for Creating new Private International Schools

71 Purchasing and renovating a school, or creating a new building to international standards, now exceeds \$1-2 billion. The Government has made a number of premises and greenfield sites available for development via the School Allocation Exercise (SAE) mechanism to meet the growing need for school places. Importantly, the current SAE mechanism requires a School Operator to be a registered Charity, which restricts investment interest. Further, the SAEs, rather than offering a long-term Lands Lease as was the historical practice, have short-term Service Agreements with the Education Bureau (EDB) and a coterminous Lease with another Department, thus creating cross-Bureau complications. At the same time, the sizes of the sites and the available green areas for sports fields and facilities have shrunk by half since 1999, making these new schools less attractive to parents. Additional land and vacant premises could be made available by the Government, using a market-based mechanism to expand the international school supply.

72 While the EDB oversees a robust screening process in each SAE that safeguards the integrity of the sector, current oversight arrangements, coupled with the requirement for a School Operator to be a registered Charity, acts to restrict intelligent adaptation and threaten competitiveness. With no appeals process, School Operators cannot appropriately serve the needs and interests of a fast-changing population. Consideration must be given to establishing a market-based mechanism to retain and attract investment to maximize the evident potential of our outstanding network and provide for an attractive, growing and diverse international school sector.

73 The desire to improve the international education landscape in Hong Kong has been a priority for at least several decades, and progress has been made. However, as one can read above, today, there are still obstacles and steps which need to be taken. The urgency to address these concerns is higher than ever, as Hong Kong is now at a crossroads in attracting and retaining foreign talent. Indeed, Hong Kong’s economic future in the increasingly troubling external environment depends critically on talent, and education is an essential part of talent attraction and retention. AmCham suggests that previous thinking and methods of improving international education are not sufficient at this time, and the Government needs to be thinking “out of the box” and more holistically in education policymaking.

Increase STEM Opportunities for Female Students

74 AmCham recognizes that the Hong Kong Government actively strives to develop STEM education to fuel Hong Kong’s growing science and technology sector. However, initiatives thus far have largely been gender-neutral, failing

²² King, Mallesons, and Wood “Applications Due Soon Under The EDB’s New Mechanism For Approval Of International School Debentures And ‘Other Charges’” May 24, 2024
<https://www.kwm.com/hk/en/insights/latest-thinking/publication/applications-due-soon-under-the-edbs-new-mechanism-for-approval-of-international-school-debentures.html>

to address the issue of low female participation rates in this sector. This can be reflected by the disparity between male and female students in selecting STEM-related subjects at secondary and tertiary education levels. A report issued by the Equal Opportunities Commission in 2021 stated that the percentage of female students enrolled in arts and humanities (70.6%) and education (72.6%) programs far exceeds the percentage of female students enrolled in science (37.7%) and engineering and technology (28.9%) programs. To support Hong Kong's developing growth as a technology hub, STEM education efforts should focus on all genders to optimally utilize Hong Kong's talent pool.

75 However, in the private sector, there have been various initiatives which acknowledge this systematic inequity and strive to prompt change. These private sector efforts provide a model for the Government to amend current policy initiatives and launch similar public-supported programs to boost female participation in STEM.

76 Therefore, AmCham encourages the Government to proactively implement STEM education programs tailored to women, beginning from the secondary level of education. Additionally, creating STEM-focused scholarships specifically for girls and women would encourage their pursuit of STEM careers, while also fueling Hong Kong's labor force to become equipped as a technological hub.

5. Environment & Ecology

77 The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries in a global partnership.¹ As a leading international cosmopolitan, Hong Kong is ranked 16th among 100 of the world's most sustainable cities under the inaugural Arcadis Sustainable Cities Index.² The Chamber appreciates the Government's proactive and determined attitude in devising practical strategies to cultivate Hong Kong into a green and sustainable society. There are, however, certain areas that we believe have room for improvement.

78 This chapter will focus on three key areas:

- Decarbonizing Energy, Buildings, and the Transport Sectors
- Environment
- Helping SMEs with ESG

Decarbonizing Energy, Buildings and the Transport Sectors

79 To support Hong Kong's long-term goal of achieving carbon neutrality by 2050, it is important to reduce coal-fired electricity and increase natural gas for power generation in the medium term. As Hong Kong has limited opportunity for renewable energy development, the introduction of zero-carbon energy from clearly named generation sources located in the GBA needs to be carried out in a way which can meet ESG reporting requirements for Hong Kong and international businesses.

80 Today, the nuclear power imported from the Daya Bay Power Station in Guangdong Province meets about a quarter of Hong Kong's electricity demand. This successful model has served the city well with stable pricing and zero-carbon energy imports delivered through a direct link to CLP Power's grid, helping to achieve our city's decarbonization targets. We suggest careful consideration is given to extending this model to secure further supplies of zero-carbon energy that are firm and reliable.

81 Buildings account for most of Hong Kong's electricity and gas usage, so we should review the operational energy efficiency of existing and new buildings, as well as the carbon content of building materials and construction processes. We suggest:

- In driving re-industrialization to drive Hong Kong's economic growth, Hong Kong can also seize opportunities in R&D and advanced manufacturing to drive decarbonization through highly efficient electric factories, laboratories and logistics, and research into new energy technologies.
- Include in our decarbonization plan an approach that not only considers the energy efficiency targets of buildings, but also identifies and targets overall carbon efficiency of energy applications at the point of use, rather than just energy efficiency. We can also incorporate the concept of carbon efficiency into gas and electrical appliances, such as those used in the energy end-use, in the Government's Mandatory Energy Efficiency Labelling Scheme (MEELS).

82 We continue to support the vision set out in the Roadmap on Popularization of Electric Vehicles in Hong Kong, as well as the Government's policy initiatives in recent years to encourage and subsidize the installation of EV charging infrastructure in car parks of private residential buildings.

83 Transport accounts for around 20% of our city's carbon emissions and other cities in the GBA have implemented large-scale electrification of public transport and commercial vehicles in recent years as battery and charging technologies for these vehicles have matured. We suggest to:

- Increase the subsidy for electric commercial vehicles, including a reduction in the first registration tax for medium and light goods e-vehicles in particular.

- Set out clear timelines for phasing out of ICE models across commercial vehicles (segments such as LGV and MGV), which will help businesses make decisions sooner and plan for transitioning their vehicles.

84 To provide opportunity in the large triple-axle franchise bus and HGV sectors, we recommend Hong Kong continues to evaluate other new energy technologies, such as Hydrogen but it must create a framework that progressively switches from gray hydrogen to green hydrogen, which possibly causes more harm to the atmosphere.²³ We thereby suggest that the Government can gradually replace gray hydrogen with green hydrogen to strive to achieve 5 goals: (1) reduction in overall carbon emission, (2) maintenance of sustainability, (3) maintenance of energy security, (4) technological innovation and economic growth, and (5) long-term cost-effectiveness.

85 Provision of shore power when vessels are at berth should also be strengthened with land/development approval mandated, similar to the Mainland approach. This should include new charging infrastructure provided for local electric vessels that operate within Hong Kong waters (e.g. pilots, tugs, other Class 2 vessels). Government could use its own vessels to showcase and pilot this marine decarbonization.

Environment

86 AmCham understands the Government’s current challenges in tackling the **food waste** problem in recent months and would like to suggest a number of practical measures to help reduce the ~3,000 tonnes of food waste disposed of at landfills per day, which is a sizeable proportion of Hong Kong’s total municipal solid waste:

- Promote the use of food waste collection bins (“purple bins”) to the public. In 2021, The Environment Protection Department (EPD) launched the territory-wide Pilot Scheme on food waste collection. As of now, its focus is mainly on food waste generated from the private (commercial and industrial sector) and public premises. However, of the food waste disposed of at landfills daily, as much as 68% of food waste comes from households.²⁴ We realize that households in Hong Kong lack adequate knowledge regarding the existence and location of purple bins. To enable better development of food waste collection, the Government should promote food waste collection facilities and raise the awareness of the general public to do more.
- Increase the number of collection points. Currently, the EPD has set up 76 Food Waste Recycling Spots in 15 districts, aiming to collect food waste generated by restaurants by means of a booth set up at a designated location and time on a daily basis.²⁵ The Chamber recommends that the Government should increase the number of collection points, and publicize their existence to the wider community.

87 AmCham supports the Government’s effort in progressively moving on from the use of single-use plastic to more sustainable utensils by introducing the **plastic ban**, and understand the Government’s approach that time is needed for systemic change.²⁶ However, to support this change, we recommend that the Government should:

- Create a guideline that clearly defines and clarifies the penalties of non-compliance. Currently, as the plastic ban is still at its pilot launch period, a clear guideline introducing the reward and punishment system has not been developed yet. As a result, businesses not only lack a clear perception regarding the consequences they have to bear for non-compliance, but are also deficient in engagement as they do not see the incentive.

²³ *Grey hydrogen*. GRZ Technologies. (2024, June 7). <https://grz-technologies.com/wiki/grey-hydrogen/>

Gray hydrogen is primarily produced through a process called steam methane reforming (SMR), where natural gas reacts with steam to produce hydrogen and carbon dioxide. During this process, the carbon dioxide emitted is released into the atmosphere, contributing to greenhouse gas emissions

²⁴ *Food Waste Challenge*. Environmental Protection Department. (n.d.).

https://www.epd.gov.hk/epd/english/environmentinhk/waste/prob_solutions/food_waste_challenge.html

²⁵ *Food Waste Recycling Schemes*. Food Waste Recycling Schemes | Waste Reduction. (n.d.). <https://www.wastereduction.gov.hk/en-hk/waste-reduction-programme/food-waste-recycling-schemes#:~:text=The%20EPD%20has%20set%20up,Waste%20Recycling%20Spots%20set%20up.>

²⁶ Reporter, S. (2024, April 15). *Govt grants 6-month grace period for disposable tableware rules*. Hong Kong Business.

<https://hongkongbusiness.hk/food-beverage/news/govt-grants-6-month-grace-period-disposable-tableware-rules>

Announced in April 2024, the Government introduced the implementation of plastic ban targeting single-use plastic. As of now, in the first phase of development, businesses are given a 6-month grace period to adapt to the new mode of operation and that authorities will not legally enforce the rules during this time.

- Provide specific funding for the catering and hospitality sector to transition to sustainable practices. More entry-level hotels have opened to accommodate tourists post-Covid. However, these fledgling businesses are not financially mature enough to yet adapt to the change of mode in operation. AmCham recommends that the Government should set up a fund as a source of help to support these businesses in purchasing proper and ESG-friendly utensils to oversee the purchasing process, thus enhancing accountability mechanisms.

88 AmCham recognizes the Government’s strategy in **reducing plastic packaging** through taxation. As of now, in effect consumers are taxed for using plastic packaging.²⁷ While these measures may have some benefit in reducing plastic use, it is important to address the root causes to see more significant and lasting results. Therefore, we believe that the Government should:

- Reinforce the current Producer Responsibility Scheme (PRS) to put more emphasis on the responsibility of producers instead of consumers. Taking Singapore as an example, they have introduced the Extended Producer Responsibility (EPR) scheme, which holds producers accountable for the responsible disposal of their products once they become waste.²⁸ The key enforcement of the EPR scheme requires producers to join or form a Producer Responsibility Organization (PRO) that manages the collection and proper disposal of electronic waste. And producers might face costs associated with these obligations, such as fees to the PRO for managing the recycling operations. Conversely, businesses who collaborate and perform well are given credit with a Government designed logo for their effort, which potentially brings more profit to their business developments. An extended version of PRS will more effectively achieve a circular economy.

89 AmCham supports the Government’s effort in encouraging more **recycling**, where the **promotion of biodegradable plastics** can have the most success in recycling. While it is challenging to completely eliminate the use of plastic or collect a particular plastic fragment/waste from the environment after use, the use of biodegradable plastic causes much less damage than traditional plastics, which can take decades to decay. Microorganisms use biodegradable plastic structures for food and turn them into natural substances such as water, carbon dioxide and compost, forming an ecosystemic circularity. In achieving sustainability and encouraging feasible recycling practices, AmCham recommends that the Government should consider:

- Establishing a standard in defining biodegradable plastics, provide funding for the development of biodegradable plastics, and set up facilities for biodegradation. As of now, Hong Kong has not recognized biodegradable plastic as a sustainable alternative to conventional plastics. We believe that the Government should invest in its development not only to align with global regulatory trends but also stimulating economic growth by fostering innovation and creating new jobs in the circular economy.

Helping SMEs with ESG

90 As the world is collaborating towards the actualization of sustainability, Hong Kong should be a leader and thus, AmCham urges the Government to take a proactive approach. We recommend that the Government should consider to:

- Establish a Center of Excellence for Sustainable Practices for Small and Medium Enterprises (SMEs), to be put under Hong Kong Productivity Council (HKPC) leveraging the asset foundation built within HKPC. Hong Kong has over 340,000 SMEs, which constitute more than 98% of the city’s business establishments and 45% of its workforce in the private sector¹³. AmCham believes that providing resources and education relevant to corporate sustainability indicates a big step towards accomplishing sustainable development in Hong Kong.

²⁷ Plastic bag charge not tallied with quantity in online grocery shopping trial and charge criteria unclear add “no bags” option and improve transparency to achieve plastic reduction targets. Consumer Council. (n.d.). <https://www.consumer.org.hk/en/press-release/p-562-grocery-bags-in-online-shopping> The current Plastic Shopping Bag Charging Scheme requires that retailers must charge customers no less than HKD \$0.50 for each plastic shopping bag provided, and now raise it to HKD \$1 from 2022.

²⁸ Mitchell, E. (2023, July 31). *Extended producer responsibility in Singapore - news and blogs*. Valpak. <https://www.valpak.co.uk/extended-producer-responsibility-in-singapore/>

6. Financial Services & The Treasury

Financial Services

91 Hong Kong has long been recognized as a global hub for financial activity, renowned for its status as a tax haven and its strategic position as a key port facilitating trade between Mainland China and the rest of the world. However following the pandemic, Hong Kong's financial landscape has undergone a shift, given that there has been a growing focus on facilitating clients and institutions from the Mainland. This transition has been driven by introducing innovative schemes such as swap and wealth connect, all aimed at enhancing financial activity and increasing trade volume on the Hong Kong Stock Exchange (HKEx). As of the end of April 2024, 20 Mainland dealers and 58 overseas investors had conducted more than 3,600 interest rate swap transactions with an aggregate notional amount of approximately RMB1.77 trillion, representing an average daily turnover of RMB7.6 billion or thereabouts in notional amount. As we navigate this evolving landscape, it is crucial to address multiple vital areas of the financial services industry to ensure Hong Kong's continued prominence and competitiveness in the global financial arena.

92 This chapter will focus on various key specific areas:

- Cross-border financial cooperation
- Expand market access and liquidity
- Enhance global reputation
- Improve regulatory framework for digital assets
- Family offices and private wealth management
- Green finance

Cross-Border Financial Cooperation

93 The attractiveness of Chinese capital inflow to the Hong Kong market is fundamentally based on the distinct jurisdictional differences between Hong Kong and the rest of Mainland China. This unique positioning allows Hong Kong to serve as a critical gateway for Mainland firms seeking to raise capital and finance overseas. However, the processes involved in leveraging this advantage are currently suboptimal, creating bottlenecks that hinder the efficient flow of capital. AmCham continues to exert pressure on the China Securities Regulatory Commission (CSRC) to streamline these processes, enhance the diversity of available financial products, and overall, improve the pipeline for capital movement.

94 AmCham recommends the following to enhance the connect schemes:

- Foreign firms should be enabled to participate as market-makers in the Southbound Bond Connect, which would not only expand market access but also enhance liquidity and pricing efficiency
- The inclusion of China A-shares and the broadening of eligible participation in stock borrowing and lending within the Northbound Stock Connect are necessary steps to improve market integration and liquidity. According to data, the Stock Connect has also brought about a cumulative northbound and southbound capital flows of more than RMB 1.8 trillion and HK\$3.1 trillion respectively
- Expand the scope of eligible investors to include corporate entities for the Northbound Bond Connect will significantly improve pricing and liquidity in the onshore bond market
- The Hong Kong Monetary Authority (HKMA) should negotiate the opening up of the onshore Repo market with Mainland China, considering the surge in overnight contracts by 21% in 2023 and surpassing 1,600 trillion yuan in total Repo market size

95 Furthermore, we support the development of market infrastructure:

- Central Moneymarkets Unit (CMU) membership should be expanded to include foreign firms, aligning with the Government's priorities to develop the CMU into a major international central securities depository in Asia, and potentially globally

- The process for banks and financial institutions to service onshore clients within the GBA should be expedited, including bank license passporting, which would promote greater movement of capital and facilitate financial connectivity and integration within the region. With the GBA being a channel to promote economic cooperation, the Government should leverage the GBA to enhance capital movement

Expanding Market Access and Liquidity

96 AmCham has observed a concerning decline in Initial Public Offering (IPO) deal volume and capital flow over the first half of 2024. (delete negative first line) While this decline is not entirely attributable to Hong Kong's financial landscape alone, factors such as the Hong Kong dollar's peg to the US dollar and ongoing geopolitical tensions have impacted the local market. Consequently, the HKEx has fallen out of the top five globally in terms of trading volume, now trailing behind markets such as India.

97 AmCham hopes that the alarming fall in deal volumes and its subsequent impact on employment within the financial services sector, particularly sluggish investment banking and corporate advisory activity, can catalyze Government action. Hong Kong must remain the premier gateway for international financial institutions seeking to raise capital. Hence, the following recommendations are put forth:

- Intensify efforts to attract IPOs and foreign capital into the local exchange market. Acknowledgment of ongoing efforts is necessary, but more robust initiatives are required to ensure Hong Kong retains its position as a leading financial hub
- There is a growing importance of non-public markets in the financial ecosystem. The Government should encourage the development of comprehensive banking services that go beyond exclusive Mainland banks, thereby fostering direct financial service access for Mainland firms
- The recent relaxation of mutual fund rules is a positive step. Continued efforts in this direction, including the provision of further financial services directly to Mainland companies and vice versa, should be encouraged

98 Meanwhile, AmCham supports the Government's proposed initiative to improve the liquidity of the Hong Kong stock exchange by imposing a tick size reduction on securities. This measure is expected to enhance the demand for financial instruments, attract new issuers, and help investors diversify their portfolios. However, Hong Kong is still a relatively expensive market to trade in compared to global peers. In order to further boost stock market liquidity, the HKMA could consider lowering transaction costs for brokers by:

- Continue considering initiatives such as further reduction in settlement costs and IT costs for broader participation

Enhancing Global Reputation

99 Hong Kong is working diligently to maintain and enhance its reputation as an International Financial Centre (IFC). Despite ongoing efforts, there is still considerable work needed to secure and expand international partnerships. These perception issues arise from various factors, including global political dynamics and competition from other financial hubs. Addressing these concerns is crucial to ensure that Hong Kong remains a competitive and attractive destination for global financial activities.

100 The HKMA has made commendable strides with initiatives such as the Global Financial Leaders' Investment Summit, which bolsters Hong Kong's image on the world stage. Additionally, the Government's active engagement with the Middle East has paved the way for significant private wealth inflows, enhancing Hong Kong's appeal as a hub for high-net-worth individuals (HNWIs). This effort aligns with the broader goal of establishing Hong Kong as a cluster for philanthropic activities, reflecting the Government's vision.

101 However, more action is needed in several key areas. For instance, clarity around Islamic finance remains a critical issue that could be emphasized more on. Addressing this could significantly enhance Hong Kong's attractiveness to investors from the Middle East. Furthermore, sharing best practices and conducting capacity-building exercises with countries in Southeast Asia, such as Vietnam and Laos, could solidify Hong Kong's position as a leader in the financial

services sector. These efforts not only attract business but also help shape the regulatory landscape in a manner favorable to Hong Kong's interests.

102 The Government's initiatives with ASEAN countries should be expanded. By exploring capacity-building exercises as part of these corridors, Hong Kong can naturally attract more business. This strategic move would help align regional financial regulations more closely with Hong Kong's standards, distinguishing it from other financial centers such as Singapore.

103 To increase Hong Kong's exposure on the global stage, AmCham suggests the following actions to be taken:

- Enhance engagement and partnerships with international financial entities to improve global perception
- Expand initiatives like the HKMA's Global Financial Leaders' Investment Summit to further strengthen Hong Kong's international financial standing
- Increase clarity and support for Islamic finance to attract Middle Eastern investors
- Share best practices and conduct capacity-building exercises with Southeast Asian countries to solidify Hong Kong's leadership in the financial services sector
- Strengthen Government initiatives and corridors with ASEAN countries to attract more business and align regional financial regulations with Hong Kong's standards
- Develop targeted strategies to attract and retain top international financial talent, addressing issues that cause candidates to abandon job offers in Hong Kong

Improve Regulatory Framework for Digital Assets

104 The regulatory landscape for virtual assets and cryptocurrency in Hong Kong has seen significant advancements. Recent discussions, including those highlighted in the budget, have underscored the need for clarity in this sector. Regulators have made substantial progress, particularly in clarifying the registration process for virtual asset exchanges under the Anti-Money Laundering Ordinance (AMLO) and the jurisdiction of the Securities and Futures Commission (SFC). The SFC has effectively regulated these exchanges, providing much-needed clarity on cryptocurrency operations. From the Government's perspective, this regulatory clarity represents a notable success. However, Hong Kong must improve in promoting its regulatory framework, especially compared to Singapore. While Singapore is still refining its regime, Hong Kong's framework, shaped by the SFC, is more mature and consensual, reflecting significant progress, including successful exchanges with other jurisdictions.

105 It is worth noting that a major area of AI application is the crypto market. In the UN Trade and Development Report in 2023, Hong Kong ranked ninth globally in terms of frontier technologies readiness, suggesting the many possibilities for Hong Kong to utilize its technologies in new arenas. With Hong Kong's ambition to become a virtual asset (VA) hub in addition to its more traditional forms of exchanges, it is even more important to establish and enhance the regulation surrounding crypto assets. AmCham commends the efforts of current regulatory bodies in Hong Kong, such as the licensing regime for VA trading platforms by the Hong Kong Securities and Futures Commission (SFC) in 2023. That being said, the JPEX crypto scandal in September 2023 that froze HK\$228 million in assets, with 72 arrested and more cases reported since the arrest, highlights the urgency for greater crypto security and regulation in Hong Kong.

106 On stablecoin, we appreciate the opportunity to discuss the legislative proposal regarding implementing a regulatory regime for stablecoin issuers in Hong Kong. We also appreciate Hong Kong Monetary Authority (HKMA) allowing the flexibility for stablecoin issuers to decide whether to custody funds in separate accounts or use a third-party custodian, and focusing on enhanced disclosure requirements, third-party oversight, verification of segregation of duties, and risk assessments as alternative risk mitigants. However, we note that certain measures could affect the dynamism of the emerging sector and its competitiveness. Thus, encouraged by the HKMA's guiding principles of the proposed regulatory regime to support, a robust but flexible crypto asset framework, we suggest that the Government should:

- Facilitate the incorporation of stablecoin issuers in Hong Kong, such as by enabling the residence of CEOs and senior management staff. With Singapore overtaking Hong Kong as Asia’s top financial center since 2021, we believe that to maintain Hong Kong’s status as a center for global finance, greater flexibility and harmonization are necessary. Allowing senior executives to reside in both Hong Kong and Singapore simultaneously is worth considering.
- Provide more regulatory clarity over securities and funds to promote the adoption of digital assets, creating a more transparent and predictable environment for investors and businesses.
- Highlight the nuanced intersection of green finance and virtual assets by continuing to leverage blockchain technology to support greater transparency and efficiency in sustainable finance initiatives.
- Continue to focus on financial innovation and the promotion of the digital asset ecosystem, fostering an environment where new technologies and financial products can thrive.

Family Offices and Private Wealth Management

107 Hong Kong has consistently been a preferred investment destination for high-net-worth individuals (HNWIs) globally. According to UBS’s Global Wealth Report 2024, Hong Kong holds the third highest average wealth in the world, following Switzerland and Luxembourg, and ranks first in the Asia Pacific region. Moreover, the Secretary for Financial Services and the Treasury, Christopher Hui, said Hong Kong will surpass Switzerland to become the world’s largest wealth management hub by 2027. Despite this strong position, there is substantial potential to further develop bespoke areas in finance, such as family offices and private banking, especially given the growing interest from premier investors in private markets.

108 The new Capital Investment Entrance Scheme, announced in the 2024 budget, is a notable initiative worth applauding that promotes family office business. AmCham commends the Government’s proactive efforts to attract capital from foreign investors and facilitate more family offices and financial advisory firms to provide tailored solutions for asset allocation, with 90% of the required HK\$30 million invested in permissible funds.

109 To meet the Government’s target of having 200 family offices in Hong Kong by 2025, AmCham continues to advocate for the following measures:

- Since rent space is still relatively expensive in commercial districts, the Government can consider setting up more co-working spaces to improve cost-efficiency for asset and wealth management operations
- Facilitate the host of events such as the Asia Pacific Family Office and Investment Forum and the Asian Financial Forum that gathers investors with private wealth management professionals to foster the development of alternative investment strategies and attract international capital into the private markets

Green Finance

110 AmCham recognizes the potential of sustainable and green finance as a cornerstone for future economic growth and environmental stewardship. The Green and Sustainable Finance Cross-Agency Steering Group (CASG) is a commendable effort aimed at coordinating these activities. However, more can be done to demonstrate deliverables and meet current expectations of Hong Kong’s carbon credit market. Despite the optimistic launch of Core Climate by HKEX, trading volumes have remained low. This is attributed to factors such as limited domestic demand, lack of integration with Mainland China’s carbon exchanges, and a fluctuating confidence regarding the quality of available carbon credits. The voluntary carbon credit market, which is currently unregulated, has faced issues such as credits being sold and claimed multiple times and overstated conservation project benefits

111 Given the current situation, AmCham advocates for the following policies:

- Establish a ‘Carbon Connect’ mechanism with Mainland China’s carbon markets, similar to the existing Stock, Bond, and Swap Connect schemes

- Implement stringent quality standards and transparency measures for carbon credits, ensuring all transactions are publicly quantifiable and verified by independent third parties

112 On the other hand, the issuance of green bonds by the Government is a positive step, particularly in fostering infrastructure development and enhancing Hong Kong's land and development capacity. According to Climate Bonds, USD18.2 billion aligned volume of GSS+ debt originating in HK in 2023, a year-on-year increase of 236%. Singapore has demonstrated that Government support and commitment are crucial for developing an economy's green finance capability as companies and investors may not be naturally incentivized to internalize environmental externalities. Additionally, the international discourse on sustainable finance has evolved to include transition finance and broader economic taxonomies. To align with these global trends, Hong Kong must incorporate transition instruments and facilitate sectoral transition plans. The current focus on green bonds, while beneficial, should be expanded to include comprehensive strategies that support the broader economy's shift toward sustainability. For instance, Singapore has become ASEAN's largest sustainable finance market, accounting for close to 50% of cumulative ASEAN green and sustainability-linked bond and loan issuances, with over S\$39.8 billion in green and sustainability-linked loans issued from 2018 to 2021.

- Encourage financial institutions to participate in the green bond program and support the Government's initiative to position Hong Kong as a global green hub
- Offer creative incentives for participation in green finance, taking inspiration from Singapore's approach. For instance, Singapore has implemented measures to help financial institutions de-risk their green investments, such as the US \$2 billion green investments programme and the Green Bond Grant Scheme

113 Ensure alignment with international standards on climate and taxonomy, adhering to global regulations to maintain consistency and credibility in green finance

Insurance

114 Hong Kong's insurance industry demonstrated resilience and growth in the first half of 2024, with total gross premiums rising by 12.2% to HK\$165.1 billion compared to the same period in 2023.²⁹ AmCham recognizes the potential of Hong Kong's insurance market with the increased amount of capital and talent inflow from the GBA, as well as cross-border data exchange that is crucial to insurance clients and wealth management for both foreign and local customers of life or non-life insurance.

115 With 160 authorized insurers,³⁰ Hong Kong maintains its position as the region with the highest concentration of insurers in Asia. This underscores the city's continued importance as a regional insurance hub. However, to further strengthen this position and address emerging challenges, AmCham would like to focus on the following key areas:

- Reinforce Hong Kong's regional insurance hub status
- Bolster health and life protection
- Strengthen cybersecurity and financial crime law enforcement

Reinforce Hong Kong's Regional Insurance Hub Status

116 Over the past year, the insurance industry has experienced volatility in terms of talent recruitment, especially since the new risk-based capital rules took effect on July 1, which require insurance companies to strengthen asset-liability management and risk-oversight of investment portfolios.³¹ In order to incentivize more young workers and fresh graduates to join the insurance industry not only for agency services but also for data and actuarial analysis, the following measures are recommended:

²⁹ Insurance Authority releases provisional statistics of Hong Kong insurance industry in the first quarter of 2024. (2024, May 31). https://www.ia.org.hk/en/infocenter/press_releases/20240531_1.html

³⁰ Insurance Authority. (2024a, March 31). The market. <https://www.ia.org.hk/en/infocenter/statistics/market.html>

³¹ He, S. (2024, July 17). Opinion: HK insurers face uphill battle in talent hunt amid new capital rules: Asset owners. <https://www.asianinvestor.net/article/opinion-hk-insurers-face-uphill-battle-in-talent-hunt-amid-new-capital-rules/497241>

- Strengthen cross-border initiatives by hosting more talent recruitment schemes related to the insurance industry for IANG students in Hong Kong, TTPS and QMAS participants. A recent example would be the HKTE and the Hong Kong Federation of Insurers co-hosting the ‘Hong Kong Insurance Industry Online Live Recruitment Event’ in December 2023, to attract Mainland talent.³²

117 Meanwhile, the new Capital Investment Entrant Scheme (CIES) has a significant impact in terms of attracting business into the funds allowed in the ‘permissible financial assets’ allocation, which takes up 90% of the HK\$30 million requirement. AmCham advocates for the following changes:

- Expand the scope of products of permissible financial assets beyond the 7 types that are set now, including long-term life insurance products and annuities. We believe that providing more options for potential global investors would diversify applicant backgrounds.

118 Furthermore, AmCham stands by these additional recommendations:

- Expedite the creation of the post-sales insurance service center to significantly aid Hong Kong insurers’ fulfillment of commitments on premium services to Mainland Chinese policyholders. Since buying insurance is an important reason for most GBA residents visit Hong Kong,³³ these centers would facilitate easier settlement and claim filing processes.
- Further enhance the Wealth Management Connect (WMC) scheme to include insurance companies and investment-linked insurance products. These ongoing improvements in connect schemes will bolster the financial connectivity between Hong Kong and Guangdong.

Bolster Health and Life Protection

119 The Voluntary Health Insurance Scheme (VHIS) has captured 30% of the personal indemnity hospital insurance market in Hong Kong. Notably, 56% of these policies were transfers from existing personal hospital insurance, while 44% were new policies.³⁴ This indicates a growing recognition and acceptance of VHIS among Hong Kong residents since its inception 5 years ago.

120 Current challenges include many working individuals prioritizing job security due to low real wage growth at 1.8%,³⁵ which makes it difficult for the working class to keep up with inflation. The job market is unprecedentedly competitive, leading to workers being less willing to switch jobs. This situation complicates the management of unexpected medical expenses. Additionally, there is a need for enhanced tax incentives, as the general public desires increased tax deductions to motivate them to purchase and upgrade their insurance plans.

121 Here, AmCham suggests the following:

- Enhance personal income tax incentives for individuals’ purchase of life and illness insurance products. This will help close the significant protection gap for local residents as well as relieve the financial pressure on the public healthcare system.
- Expand insurance coverage options to allow underwriters to offer more comprehensive critical illness and severe disease coverage. By enhancing the variety and depth of insurance plans, this will optimize protection for policyholders and encourage broader adoption of private health insurance.

³² LCQ21: Talent admission schemes. (2023b, December 13). <https://www.info.gov.hk/gia/general/202312/13/P2023121300246.htm>

³³ Magbanua, D. (2023, October 31). *How GBA after-sales service centres will affect Hong Kong Insurance*. Insurance Asia. <https://insuranceasia.com/insurance/exclusive/how-gba-after-sales-service-centres-will-affect-hong-kong-insurance>

³⁴ 今日信報 - 財經新聞 - 自願醫保 122 萬保單 新客佔 44% 業界籲核保理賠標準化 助提升信心. 信報網站 hkej.com. (2024, March 11).

<https://www1.hkej.com/dailynews/finnews/article/3703094/%E8%87%AA%E9%A1%98%E9%86%AB%E4%BF%9D122%E8%90%A%E4%BF%9D%E5%96%AE+%E6%96%B0%E5%AE%A2%E4%BD%9444+>

³⁵ Wong, W. (2023, November 7). *Hong Kong pays up 4% this year, but inflation cut bump down to 1.8%, report finds*. South China Morning Post. <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3240616/real-wage-growth-hong-kong-slow-down-2024-city-still-beats-out-singapore-year-due-lower-inflation>

Strengthen Cybersecurity and Financial Crime Law Enforcement

122 AmCham appreciates the tight cooperation among governing bodies in the insurance industry, such as the Hong Kong Federation of Insurers (HKFI) and the Insurance Authority (IA). There have been no major scandals in the space of insurance in Hong Kong, but we must not undermine the vulnerability of data transactions in this sector due to the sophisticated threats that could happen concerning stealing highly confidential and valuable data. Therefore, AmCham focuses on these points:

- Partake in more scenario-based and exercise-based testing to stay ahead of potential threats with reference to practices in the United States. According to a Moody's report,³⁶ scenario testing in the insurance sector has become more significant due to regulations such as Solvency II. This prudential regime requires stress testing of an insurer's balance sheet under the Standard Formula approach to assess Solvency Capital Requirements. Although the fundamental framework and governance for stress testing are similar for both insurers and banks, both sectors utilize macroeconomic scenarios, though calibrations may differ to suit specific needs.
- Increase collaboration across different sectors such as financial services, cybersecurity, fintech, and legal. By working together, the compliance areas of these sectors can develop comprehensive defense strategies and help create a more resilient financial ecosystem that can effectively tackle cyber threats and frauds.

³⁶ Moody's. (2013, August 31). Stress and scenario testing: Insurers vs. banks.
<https://www.moodys.com/web/en/us/insights/banking/stress-and-scenario-testing-how-insurers-compare-with-banks.html>

7. Health

123 AmCham is enthusiastic about capitalizing on the current opportunities in the healthcare sector and recommends that the Government intensify its efforts in two key areas. This approach aims to bolster Hong Kong's position as a bio-innovation hub while enhancing the region's healthcare system.

124 AmCham would like to highlight two specific areas with proposals:

- Establish Hong Kong as a bio-innovation hub
- Improve access to Hong Kong's reliable healthcare system

Establishing Hong Kong as a Bio-Innovation Hub

125 Ranked 23th globally on the 2024 CEOWORLD magazine Health Care Index, Hong Kong is recognized as having one of the most developed healthcare systems in the world³⁷. The city boasts world-class medical facilities and talents as well as high standards of healthcare, complemented by leading universities, contributing to its innovative capacity. The city's healthcare system has the potential to be a leading bio-innovation hub.

126 To achieve so, AmCham recommends two pathways for solidifying this position:

- **Strengthen connection with the GBA to drive innovative health solutions.** As a result of the increased integration and cooperation of Hong Kong and the GBA's healthcare institutions following the evolution of the central Government's healthcare policies, Biotech companies, and other healthcare SMEs from around the world now have a pathway to begin accessing the Mainland market through Hong Kong. This GBA-oriented opportunity needs to be conveyed and should be part of Hong Kong's global communication strategy for attracting innovative healthcare companies to establish a presence in the city. Stronger ties should be made, and greater collaboration should be expected between clinical experts based in Hong Kong and those based in the rest of the GBA.
- **Simplify access to drugs and vaccines in the GBA** to improve real-world data and meet the increasing demand for Hong Kong-registered vaccines and medicines among retired Hong Kong citizens. GBA integration is crucial for maintaining consistent medical standards for Hong Kong citizens, regardless of their location. Although many medical groups in the GBA offer quality services, differing regulations limit access to drugs and vaccines. The current rules delay the use of Hong Kong-registered vaccines in the GBA, which affects timely healthcare for the elderly. By removing these barriers, we can create a smoother healthcare experience across the GBA, benefiting Hong Kong citizens and promoting clinical research and improved healthcare outcomes in the region.
- **Maintain the current international standards and favorable operating environment for Multinational Corporations (MNCs).** AmCham appreciates the Government's strategic measure in building Hong Kong into a more internationalized biomedical hub, which will promote high-quality clinical trials and research, ultimately leading to increased resources for innovation. However, it is crucial to preserve Hong Kong's uniqueness in its healthcare system rather than solely aligning with the Mainland's pricing and registration pathway.

In this context, the Chamber believes that ensuring earlier and wider access to innovations – such as medical devices and new medicines- will bolster the competitiveness of Hong Kong's healthcare market. By prioritizing both unique local practices and timely access to advancements, we can solidify Hong Kong's position as a leader in the biomedical field.

127 On the device front, AmCham identifies the following suggestions for holistically improving the current Medical Device Regulation (MDR) legislation:

³⁷ CEOWORLD Magazine. (2024, April 2). Countries with the best health care systems, 2024. *CEOWORLD Magazine*. <https://ceoworld.biz/2024/04/02/countries-with-the-best-health-care-systems-2024/>

- Ensure transparency on MDR change, including a comprehensive roadmap outlining the timeline and scope of implementation
- Preliminarily announce amendments in regulatory frameworks and pre- and post-market requirements; provide new guidelines, allocate resources to authorities, and guarantee sufficient transition periods to ensure a seamless transition to new regulatory landscapes
- Align product registration and Post-Market Surveillance (PMS) mandates with the international harmonization approach
- Adopt abridged review methodologies for registration endorsed in principal markets, such as the U.S., European Union (EU) etc.
- Ensure clarity in the review timelines and overarching regulations of the Medical Device Division
- Sustain the MDR process by identifying more technical reviewer resources and strengthening the capability enforcement plan
- Remove overlapping efforts in the assessment of medical device quality, safety, and performance by the Department of Health and Hospital Authority, such as adopting MDACS-registered products for compliance with HA tender requisites
- Provide additional channels for industry-regulator interaction to solicit industry perspectives on the impending MDR, including regional trade associations and forums such as APACMed

128 On the medicine front, AmCham welcomes the introduction of new policies aimed at expediting the local approval of medical products, including the 1+ Certificate of Pharmaceutical Product (CPP) mechanism and the establishment of the Center for Medical Product Regulation (CMPR). On top of it, the Chamber advocates for a harmonized Drug Registration Mechanism with detailed suggestions as follows:

- Streamline the 1+ registration process to ensure efficiency, uphold rigorous standards, and expedite drug registration and access. Our members have expressed concerns about the “rejection to file” mechanism that arises when a second CPP becomes available. This disincentivizes the use of the 1+ CPP pathway, as local branches of pharmaceutical companies cannot control the approval timeline of the second CPP from their subsidiaries. Furthermore, the adoption of the 1+CPP requires the provision of local clinical data which demands substantial resources. It is important for the Government to offer greater incentives for the medical sector to fully utilize this new mechanism.
- Ensure the 2 CPP registration pathway and enlistment is fast and efficient especially for innovative medicines and vaccines where conducting local clinical trials can be difficult due to very low prevalence.
- Strengthen the Government’s role in managing drug costs by serving as an intermediary to ensure fair pricing and access to essential medicines. Additionally, consider subsidizing self-financed drugs and establishing a dedicated funding mechanism. The high cost of medications in Hong Kong has long been a concern for patients, particularly when compared to neighboring regions like Shenzhen, where the social security system provides reimbursement. To maintain Hong Kong's competitiveness, it is crucial for the Government to step in and consider the above proactive measures.

Improve the Accessibility and Liability of Hong Kong’s Healthcare System

129 AmCham recognized the Government’s strategic implementation of the Primary Care Blueprint Initiative, which has underscored the importance of prioritizing disease prevention over treatment. It is constructive in alleviating the burden of the Hospital Authority (HA) in the long run and laying the foundation for a sustainable healthcare system for all citizens.

130 While a satisfactory pace was seen along the progress of improving the city’s healthcare infrastructure, AmCham believes more could be done to capitalize on the momentum in terms of refining the Primary Care Blueprint Initiative. These include:

- Increase the Uptake Rate for Vaccination by Leveraging the District Bodies. Vaccination has been considered one of the most effective means of disease prevention especially after COVID-19 pandemic with 95% efficacy in preventing disease³⁸. By establishing community pharmacies and authorizing pharmacists to conduct vaccination work in these centers and DHC branches, it is believed that the vaccine uptake rate will increase since the pharmacists will have more quality time with the public.
- Empower District Health Centers (DHCs) to become centers for both screening of diseases and triaging into the healthcare ecosystem, improving healthcare affordability by encouraging the proliferation of private insurance schemes and its subsequent enrolment, and promoting the growth of tele-medicine. The mission for DHCs should be firmly clarified and coupled with resources to truly equip and empower the network that exists to fulfill its role of accelerating access to healthcare – how soon a citizen is diagnosed and then how quickly care could be provided.
- Incorporate Mental Health into the Primary Care Blueprint Initiative. Studies indicate that 61% of Hong Kong adults currently suffer from poor mental well-being, with 1 in every 7 people developing a common mental disorder in their lifetime³⁹. However, mental health services have not been incorporated into Hong Kong’s public health care system; the number of mental health professionals also remains below the World Health Organization’s recommendations. Thus, AmCham recommends that the Government should:
 - Mandate the integration of mental health screenings into primary healthcare settings to facilitate early detection and intervention.
 - Increased accessibility of mental health services, such as expanding community mental health services to ensure accessible support across all districts.
 - Increase funding and resources for mental health services, including recruiting more mental health professionals. The number of public sector psychiatrists per 100,000 people is 4.8 for Hong Kong, versus 8.59 for high-income countries⁴⁰. Addressing this gap is critical to improving mental health outcomes and ensuring comprehensive care for all individuals in Hong Kong.
 - Collaborate between public health, education, and social services to provide a holistic approach to mental health care, incorporating educational programs to reduce stigma and promote mental well-being.

131 To conclude, AmCham respectfully encourages the Government to engage in dialogues with the Chamber and the healthcare industry. Such conversations would provide clarity on the new policy changes. As these policies are implemented, it is crucial to conduct a comprehensive evaluation of their overall impact. By fostering open communication and collaboration, we can ensure that innovative ideas and joint solutions are given the attention they deserve and effectively integrated into the healthcare system.

³⁸ Whittle, R. S., & Diaz-Artilles, A. (2020). An ecological study of socioeconomic predictors in detection of COVID-19 cases across neighborhoods in New York City. *BMC Medicine*, 18(1), 271. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7709178/>

³⁹ Mind HK. Mental health in Hong Kong. *Mind HK*. <https://www.mind.org.hk/mental-health-in-hong-kong/>

⁴⁰ Mind HK. Mental health in Hong Kong. *Mind HK*. <https://www.mind.org.hk/mental-health-in-hong-kong/#:~:text=Shortage%20of%20Professional%20Mental%20Health,our%20population%20size%20%5B27%5D.>

8. Home & Youth Affairs

- 132 The advancement of women in the workforce is not only a matter of gender equality but also a critical driver of economic growth. According to the World Bank, closing gender gaps in employment and entrepreneurship could increase global GDP by 20%. However, significant challenges persist for women in Hong Kong despite its progress.
- 133 The number of working women in Hong Kong has decreased by 6.2% in the past four years, partially due to a net outflow of the population during COVID-19.⁴¹ Among the women who stayed, many opted to exit the workflow as they were unable to balance their professional duties and household responsibilities. Consequently, there are now only about 54% of women in the workforce, a significant contrast to other Asia-Pacific competitors such as Australia (76.2%) and Singapore (62%).⁴² To further exacerbate concerns, Hong Kong's fertility rates have illustrated a continuous decline since 2014.⁴³
- 134 There is a significant need to reevaluate existing policies and amend measures to optimally incentivize women's presence in the workforce in Hong Kong.

Women In Workplace

Striving for Equal Pay

- 135 Women may be less prone to enter or remain in the workforce if they believe that they are not fairly compensated compared to men.⁴⁴ The pay difference between men and women has widened from 15.8% in 2021 to 19.6% in 2022, with women in the professional workspace earning 15.6% less than men in 2022.⁴⁵
- 136 Thus, AmCham urges the Government to take steps to reduce the gender pay gap by considering a mandate in which companies employing a specified number of employees should be required to disclose gender pay gaps. At present, Hong Kong has one of the lowest gender pay gap publication rates in the world (6%) as opposed to other Asia-Pacific competitors, such as Singapore (22%) and Australia (23%).⁴⁶

Diversity of Women on Listed Boards

- 137 In 2021, the Hong Kong Stock Exchange introduced new regulations, requiring all listed companies to have at least one female board member by the end of 2024.⁴⁷ With this deadline fast approaching, the remaining issuers should act quickly to comply with this requirement. However, there are no penalties in place for companies that do not abide by the regulation by the deadline.

⁴¹ Research Office, Legislative Council Secretariat. (2023, March). Policy measures to expand female workforce in Australia ... <https://www.legco.gov.hk/research-publications/english/2023in03-policy-measures-to-expand-female-workforce-in-australia-and-singapore-20230214-e.pdf>

⁴² Research Office, Legislative Council Secretariat. (2023, March). Policy measures to expand female workforce in Australia ... <https://www.legco.gov.hk/research-publications/english/2023in03-policy-measures-to-expand-female-workforce-in-australia-and-singapore-20230214-e.pdf>

⁴³ Census and Statistics Department. (2023, February). Fertility Trend in Hong Kong, 1991 to 2021. Feature Articles on Statistics. <https://www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=FA100090&scode=160>

⁴⁴ Aragão, C. (2023, March 1). Gender pay gap in U.S. hasn't changed much in two decades. Pew Research Center. <https://www.pewresearch.org/short-reads/2023/03/01/gender-pay-gap-facts/>

⁴⁵ Lee, C. (2022, September 13). Workplace gender disparity widens in Hong Kong. HRM Asia. <https://hrmasia.com/workplace-gender-disparity-widens-in-hong-kong/#:~:text=The%20pay%20gap%20between%20women,11.1%25%20pay%20gap%20in%202017.>

⁴⁶ Research Office, Legislative Council Secretariat. (2023, March). Policy measures to expand female workforce in Australia ... <https://www.legco.gov.hk/research-publications/english/2023in03-policy-measures-to-expand-female-workforce-in-australia-and-singapore-20230214-e.pdf>

⁴⁷ Wang, P., Lian, L., & To, M. (2024, March). HKEx moves forward with diversity, climate and sustainability initiatives: Insights: Skadden, Arps, Slate, Meagher & Flom LLP. Insights | Skadden, Arps, Slate, Meagher & Flom LLP. <https://www.skadden.com/insights/publications/2024/03/insights-special-edition/hkex-moves-forward-with-diversity#:~:text=Companies%20listed%20on%20the%20Hong,postponed%20until%20January%201%2C%202025.>

138 AmCham urges the HKSAR Government and the Hong Kong Stock Exchange to take steps to ensure compliance with this requirement. Improving gender diversity on boards is essential for Hong Kong to maintain its global position as a top-tier financial center.

Removal of Glass Ceilings

139 According to the Hong Kong Female Talent Pipeline Study, nine out of every ten Hong Kong women report barriers to reaching their career aspirations, ranging from family commitments to a lack of promotional opportunities within their companies and/or industries.⁴⁸ Women will be incentivized to remain in the workplace if they believe there are no glass ceilings to their continued promotion.

140 Hong Kong still trails behind its regional peers in removing glass ceilings to women's continued advancement in senior management positions. AmCham supports the Hong Kong Government's proposals in the 2018 Chief Executive's Policy Address to support women's work potential. However, these initiatives lack encouragement to attract women to take up senior roles and be retained in the workplace. Thus, AmCham further encourages the following:

- Provide boards with guidelines and training materials to facilitate succession planning and leadership programs to prepare female candidates for board and senior management roles
- Introduce policies related to gender-neutral flexible working arrangements and encourage corporations to develop better return rates and training programs for women hoping to rejoin the workforce
- Establish target ratios for women on boards of publicly listed companies and in senior management positions that would increase over time

Health in the Workplace

Proactive Protection of Women's Mental Health

141 Generally, women in Hong Kong exhibit a higher susceptibility to mental health disorders compared to men, with 3.5% of women suffering from depression as opposed to 2.2% of men.⁴⁹ This disparity may be attributable to the significant pressure placed upon women to balance expectations in the workplace and at home. Additionally, pregnant and postpartum women face an elevated risk of mental distress, with 10% of pregnant women and 13% of postpartum women experiencing diagnosable mental health issues.⁵⁰ Deloitte issued a study on working women in 2024, which revealed that mental health is among the top three factors driving women to quit their jobs. Furthermore, 20% of respondents expressed their discomfort in sharing their mental health challenges, as they feared that it would adversely impact their career progression chances.⁵¹

142 AmCham commends the Government's efforts to raise awareness of mental health through the successful educational programs such as the "Shall We Talk" Campaign launched in 2020. However, the Government should take additional steps to safeguard the mental well-being of women in the workforce. The Government should provide incentives for companies to implement mental health support programs such as on-site counselling and extend its support to working mothers returning to the office by mandating time off and legislating a flexible working hours policy.

Accessibility to Reproductive Health Resources

143 Women in the working sphere may encounter a range of health concerns, from pregnancies to menopause. Offering them support will not only improve their overall wellbeing, but also contribute to a more productive and inclusive

⁴⁸ Gray, S. (2020, April 28). Hong Kong's Female Talent Pipeline Study key findings launch on IWD2019. meraki.

<https://www.merakiexecutive.com/post/2019/03/08/launch-of-the-hong-kongs-female-talent-pipeline-study>

⁴⁹ Women's Mental Health. Mind HK. <https://www.mind.org.hk/mental-health-a-to-z/womens-mental-health/womens-mental-health/>

⁵⁰ Maternal mental health. Mind HK. <https://www.mind.org.hk/mental-health-a-to-z/womens-mental-health/maternal-mental-health/#:~:text=Around%2010%25%20of%20pregnant%20women,are%20essential%20during%20this%20period.>

⁵¹ Deloitte. (2024). Double shift: Women continue to be overburdened and overlooked. [action.deloitte.com. https://action.deloitte.com/insight/4035/double-shift-women-continue-to-be-overburdened-and-overlooked](https://action.deloitte.com/insight/4035/double-shift-women-continue-to-be-overburdened-and-overlooked)

work environment. Addressing such health gap could improve the quality of life for women, as well as boost healthy aging.

144 AmCham commends the Hong Kong Government's strides in protecting women in the workplace, through the prohibition of discrimination against breastfeeding women in the Discrimination Legislation Ordinance. The advancement of female reproductive health services, such as The Women's Health Service of the Family Planning Association of Hong Kong, has also been noteworthy. However, AmCham encourages the Government to mandate these initiatives to ensure adherence across all workplaces. For example, the recommended measures set out in The Breastfeeding Friendly Workplace Guide issued by the Family Health Service such as providing private spaces and refrigeration facilities for breastfeeding women, should be made mandatory.

145 Moreover, incorporating access to female reproductive health services within employee benefits may allow for better health and care of female employees and enhance their performance and productivity. Thus, AmCham encourages the Government to launch initiatives and schemes to raise awareness in providing female healthcare services to employees.

Childcare

Betterment of Childcare Benefits and Arrangements

146 AmCham acknowledges the Government's initiatives targeted towards childcare, such as extending the statutory maternity leave to 14 weeks and the introduction of The Re-employment Allowance Pilot Scheme, which grants individuals returning to the workforce with financial stipends, is particularly commendable as it targets specifically female labor force participation. Providing Government-funded childcare services is essential, given that the birth of a child is often the point at which women leave the workforce. An HSBC global survey found that up to 26% of the interviewed women in Hong Kong were willing to sacrifice their careers for their families, a stark contrast to 5% in China.⁵² Furthermore, it found that 30% of Hong Kong women leave the workforce due to difficulties in balancing work and home responsibilities.⁵³ More efforts are needed by the Government to ameliorate such difficulties, so as to incentivize women to remain in the workforce.

147 Furthermore, Hong Kong's family policies still lag behind those of its competitors. On average, parents in OECD countries are entitled to 18.6 weeks of paid maternity leave, 2.1 weeks of paid paternity leave and 39.3 weeks of paid parental leave.⁵⁴ By comparison, Hong Kong parents are only given 14 weeks of paid maternity leave and five days of paid paternity leave. AmCham urges the following:

- Develop and launch the initial stage of The Re-employment Allowance Pilot Scheme
- Extend paternity leave to at least two weeks and introduce paid parental leave to be shared between parents
- Introduce policies relating to promoting flexible working arrangement, which enables and attracts more women to stay in an organization, and remove potential stigma associated with the use of flexible working arrangements
- Consider mandating the disclosure by publicly listed companies of steps they have taken to implement flexible working arrangement practices and family-friendly policies to facilitate the sharing of different company practices across industries

⁵² Wong, M. (2018, November 22). Hong Kong first in Asia "for women willing to quit job for family." South China Morning Post. <https://www.scmp.com/business/money/article/2174381/hong-kong-women-are-most-willing-asia-quit-their-jobs-family-hsbc>

⁵³ Gender equality in Hong Kong. The Women's Foundation. (2019). https://twfhk.org/sites/default/files/twg_gender_infographic_pdf.pdf

⁵⁴ Pf2.1. Parental Leave Systems. OECD Family Database. (2024). https://www.oecd.org/els/family/PF2_1_Parental_leave_systems.pdf

Alternatives for Increasing Workplace Participation in Hong Kong

148 Hong Kong's decline in fertility rates, as well as the decrease in the population for the third straight year,⁵⁵ demonstrates a need to reevaluate existing policies and adopt new ones to better incentivize women to enter and remain in the workforce. This is particularly essential for the sustained and healthy growth of the city's economy.

Incentives to Attract Domestic Helpers

149 Hong Kong presently faces a domestic labor shortage and a brain drain, losing about 210,000 workers between early 2019 and the end of 2022. Particularly, there have been 60,000 fewer domestic helpers at the end of 2021 than January 2020, which possibly kept thousands of mothers out of the workforce.⁵⁶ Simultaneously, the South Korean Government has approved pilot plans of importing domestic helpers from Southeast Asian countries under which the expected monthly salary would be roughly 2 million won, triple the amount offered in Hong Kong and Singapore. Furthermore, domestic workers will be provided separate accommodations from their employers. These features incentivize domestic workers to prefer South Korea as a location of employment.⁵⁷

150 The Chamber, therefore, recommends the Government to set up more incentives for current domestic helpers to stay in Hong Kong to remedy the labor shortage and domestic helper shortage which are inherently exacerbating the issue of declining fertility rates and the low workplace participation rate of women in Hong Kong. We believe that from a business perspective, it is imperative to keep Hong Kong competitive so the pool of domestic helpers will not be lost to South Korea, Singapore or other jurisdictions.

Promoting Hong Kong as an Equitable and Inclusive Society

151 Hong Kong is a highly diverse metropolis. Demographically, in 2021, there are 619,568 non-Chinese people in Hong Kong, accounting for 8.4% of the population.⁵⁸ Consequently, it is crucial to build Hong Kong into an equitable and inclusive society to avoid further brain drain and to ensure all Hong Kong people feel welcomed and included in the workplace. AmCham recommends that the Government should:

- In Hong Kong, under the Sex Discrimination Ordinance (SDO) (Cap. 480), it is unlawful to discriminate against a person on the grounds of sex, marital status, pregnancy or breastfeeding in prescribed areas of activities. However, SDO does not include the protection of members of the LGBT community. AmCham recommends the Government officially declare members of the LGBT community as a protected class and design relevant laws and orders to safeguard their rights and ensure that equal opportunities for self-actualization are accessible to them.
- In fact, over 60% of Hong Kong citizens agree with same-sex marriage - an increase from 38% in 2013 and 50.4% in 2017 - and 71% of Hong Kong people support laws against sexual orientation discrimination.⁵⁹ Hong Kong is in a position to set itself apart and lead in Asia by advancing LGBT rights. Full marriage equality, the ability to change gender markers on Hong Kong Identification cards without invasive and unnecessary surgery for both trans men and trans women, access to healthcare at public facilities for transgender youth and non-discrimination policies in the workplace for LGBT staff, would be important additions to protect the community, to increase

⁵⁵ Yiu, W. (2023, February 16). Hong Kong population drops for 3rd straight year, losing 60,000 residents. South China Morning Post. <https://www.scmp.com/news/hong-kong/society/article/3210429/hong-kong-emigration-wave-net-outflow-60000-residents-2022-marking-09-cent-population-drop-3rd>

⁵⁶ Dodwell, D. (2023, June 11). Opinion: Worker shortage is not just Hong Kong's problem, it's part of a global contest. South China Morning Post. <https://www.scmp.com/comment/opinion/article/3223447/hong-kongs-worker-shortage-not-just-local-problem-its-part-global-contest>

⁵⁷ Ming, T. E. (2023, July 5). In Singapore and Hong Kong, Korean Dream Tempts Domestic Helpers. Al Jazeera. <https://www.aljazeera.com/economy/2023/7/5/singapore-and-hong-kongs-domestic-helpers-eye-korean-dream#:~:text=Their%20expected%20monthly%20pay%20of,to%20live%20with%20their%20employers.>

⁵⁸ The Demographics: Ethnic Groups (2021 Population Census). Race Relations Unit - Information Centre - Demographics. (2021). <https://www.had.gov.hk/tru/english/info/demographics.htm#:~:text=Hong%20Kong%20is%20a%20largely,about%208.4%25%20of%20the%20population.>

⁵⁹ Cheng, M. (2023, May 17). Idahot 2023: 60% of Hongkongers surveyed now agree with same-sex marriage. Hong Kong Free Press HKFP. <https://hongkongfp.com/2023/05/17/idahot-2023-60-of-hongkongers-surveyed-now-agree-with-same-sex-marriage/>

workplace participation by LGBT individuals and make it easier for companies in Hong Kong to attract LGBT professionals to move to Hong Kong to take up employment opportunities.

- Hong Kong can no longer afford to overlook the talents and values of non-Chinese people in Hong Kong. Non-Chinese Hong Kong people are often the subject of discrimination in job searches and in the workplace and are denied employment because their Cantonese and/or Mandarin skills are not at a sufficiently high level even when a job does not require these skills. AmCham encourages the Government to further enhance its efforts to fight discrimination (both in the public and private sectors) based on race and ethnicity, and increase investment in and roll out full syllabi for teaching Chinese as a second language in the local school system in Hong Kong.

9. Housing & Development

152 Facing the dual challenges of oversupply and lagging demand within the Hong Kong real estate market, the Chamber urgently calls for the Government to enact decisive policies that span the commercial, private residential, and social housing sectors to effectively address these critical issues.

153 Recent studies affirm that Hong Kong continues to hold its position as the least affordable housing market globally for the 14th consecutive year with a median multiple of 16.7 in 2024, showing a modest improvement from 18.8 in 2023.⁶⁰ Nevertheless, this alarming trend highlights the imperative need for Government action to substantially improve housing affordability in both the private and public sectors. Additionally, the Government must tackle the issue of high vacancy rates in commercial properties, which have reached 12.3% as of May 2024.⁶¹ These steps are crucial for stabilizing the real estate market and ensuring sustainable development in Hong Kong's urban landscape.

154 This chapter will focus on some key specific areas:

- Overview of Hong Kong's real estate volatility
- Encourage ESG integration in Hong Kong through Government leadership
- Enhance transparency in the market and standardize measurements
- Revamp social housing and ownership regulations
- Alleviate Punitive Measures on Foreign Investment

Overview of Hong Kong's Real Estate Volatility

155 The real estate sector in Hong Kong is currently navigating through a period of significant volatility, driven by a complex interplay of economic conditions, geopolitical factors, and supply-demand dynamics. Since the Hong Kong dollar is pegged to the US dollar, interest rates are at their highest level since the last rate hike, exacerbating affordability issues and borrowing costs. These economic conditions are further complicated by geopolitical tensions, alongside diverging supply chains and potential recessionary pressures that impact economic stability.

156 A pressing issue in the real estate sector is the oversupply of properties. Hong Kong continues to see an increasing supply of vacant units, with more expected to enter the market. Additionally, significant supply from Mainland China and the GBA, facilitated by high-speed rail links, is impacting Hong Kong's property market dynamics.

157 This oversupply has led to a substantial increase in office vacancies and a considerable accumulation of unsold residential properties, particularly pronounced in tier 1 cities such as Shenzhen, where the vacancy rate has escalated to 26%.⁶²

158 On the demand side, the market is heavily influenced by China, leading to softer conditions and developers in Hong Kong reducing prices by as much as 25%. In response to these challenges, AmCham highlights the urgent need for comprehensive Government policies across commercial, private residential, and social housing sectors to address and mitigate these challenges.

Encourage ESG Integration in Hong Kong through Government Leadership

159 To enhance Hong Kong's appeal as a prime location for foreign corporations to establish headquarters or offices, AmCham suggests that the Government consider implementing a system akin to successful international models and take a leading role by mandating that all Government buildings, offices, and departments throughout Hong Kong achieve a higher green index. AmCham believes that such a policy would not only boost the Government's reputation

⁶⁰ Li, S. (2024, June 14). Hong Kong homes remain most unaffordable in world for 14th year: Research. South China Morning Post. <https://www.scmp.com/business/article/3266634/hong-kong-homes-remain-most-unaffordable-world-14th-year-research>

⁶¹ Grade A office rents on Hong Kong Island to decline by 3-5% in 2024. Real Estate Asia. (2024, June 18). <https://realestateasia.com/commercial-office/news/grade-office-rents-hong-kong-island-decline-3-5-in-2024>

⁶² Zhang, H. (2024, January 4). Shenzhen office vacancy rate hit 26% at year-end, C&W report shows. 一财全球 Yicai Global. <https://www.yicaiglobal.com/news/vacancy-rate-of-office-buildings-in-shenzhen-rose-to-26-at-end-of-last-year-cw-report-shows>

in promoting ESG integration but also inspire more private companies and multinational corporations to opt for green office spaces as they are influenced by the Government's proactive stance and environmental ratings.

160 For example, Australia has set a precedent with its NABERS rating system, 'a national rating system that measures the environmental performance of Australian buildings and tenancies.' Moreover, the Australian Government requires that new Government buildings secure a minimum 4.5-star NABERS energy rating. This standard extends to transactions involving the leasing, subleasing, or selling of commercial office spaces that exceed 2,000 square meters. Furthermore, municipal authorities across Australia are progressively enforcing minimum NABERS ratings for new major developments, setting a benchmark for sustainability in the built environment.

161 Strict mandates in Australia have proven their effectiveness in reducing energy emissions and the commonwealth Government's actions have pushed private enterprises to follow, which could act as a blueprint for Hong Kong's implementation. Hence, AmCham suggests the Government to:

- Ensure that all Government leases adhere to stringent ESG standards, setting a precedent that encourages broader market adoption
- Lead by example through implementing specific ESG standards in Government operations and infrastructure, thereby positively influencing market behaviors and expectations
- Promote ESG initiatives actively to not only attract more tenants but also to establish symbiotic relationships with them, fostering a community committed to sustainability
- Raise the sustainable building standards in Hong Kong to at least match, if not exceed, those currently in place in Mainland China, ensuring that Hong Kong remains a leader in environmental stewardship in the region
- Establish a "Mega Fund" for the construction projects of green/environmental-friendly, and sustainable buildings. Such funding also includes the management of construction waste, which accounts for 26% of total solid waste at landfills in 2022

Enhance Transparency in the Market and Standardize Measurements

162 Hong Kong's real estate market, as denoted in the 2022 JLL Global Real Estate Transparency Index, is ranked the 16th most transparent globally.⁶³ This ranking underscores the ongoing efforts to enhance transparency, particularly through initiatives that promote green building practices. However, extensive use of opaque commissions and rebates continues to obscure true pricing.

163 AmCham underscores the urgent need for more rigorous regulatory measures. Institutional landlords should be required to comprehensively register all leases, inclusive of any ancillary agreements or side letters, regardless of their duration. This step is pivotal in moving towards greater transparency in the real estate sector, aligning practice more closely with policy and ensuring that the market operates with integrity and openness for all participants. Hence, AmCham recommends the following:

- Standardize measurements based on the ply area or carpet area for buying or renting. There has been a lot of deception around gross and net area, now including MFA for office and retail as well
- Revert to standardized Government plot ratio (GFA), addressing inflated floor area issues by landlords & developers as transparency is generally followed by liquidity
- Include specifics of transparency such as properly disclosing rents, accurately measuring, reporting, and calculating areas, as well as clear capital market transaction

⁶³ Global real estate transparency index 2022. JLL Hong Kong. (2022). <https://www.jll.com.hk/en/trends-and-insights/research/global-real-estate-transparency-index>

- Implementing regulations that require the mandatory disclosure of all property transactions, including the terms of sales and rental agreements, improves market transparency
- Establishing a centralized public database where transaction details, property ownership information, and historical pricing data are accessible ensures informed decision-making by all market participants

Revamp Social Housing and Ownership Regulations

164 Hong Kong's current housing situation presents a stark contrast to regions such as Singapore, particularly in terms of public housing availability and ownership options. In Hong Kong, a significant issue is the lack of public housing available for sale rather than for rent. Such a policy limits equity creation for individuals and families, contributing to a less dynamic and mobile real estate market. Singapore's public housing policy promotes ownership and allows residents to build and retain equity. Approximately 90% of residents are homeowners, a stark contrast to Hong Kong's heavy reliance on public rental housing which accommodates 30% of its population.⁶⁴

165 The lack of mobility in Hong Kong's housing market can be attributed to several restrictive policies: public housing units cannot be freely exchanged or used for refinancing, and there is very limited turnover of these units. The second-hand property market had a turnover rate of just 3.7% from 2017 to 2023, compared to 8.7% in 2010 before cooling measures took effect.⁶⁵ Furthermore, even as the completion of more public rental housing (PRH) units continues, it has not effectively housed more people. Instead, the unmet demand for subsidized sale flats is diverted towards the private housing sector, leading to a boom in the completion of smaller units.

166 Given these challenges, according to the Our Hong Kong Foundation which noted at its talk in February 2024, a revitalization of the Tenant Purchase Scheme (TPS) could significantly benefit the public purse. By selling just half of the existing stock of Public Rental Housing units at HK\$1 million each, it could potentially generate HK\$426 billion in Government revenue.⁶⁶

167 To more effectively address systemic housing issues and enhance social mobility, AmCham recommends that the Hong Kong Government adopt policies that facilitate real ownership of social housing. This approach would not only alleviate the current inefficiencies but also align with successful international models by enabling residents to build equity and invest in their future. In response to these challenges, AmCham proposes several strategic initiatives:

- Implement policies allowing public housing tenants to purchase their homes, thereby creating equity and promoting social mobility
- Foster a more flexible and dynamic real estate market by easing restrictions and promoting innovative housing solutions
- Initiate programs that permit the sale of public housing units to residents, enabling them to build equity and secure a more stable financial future

Alleviate Punitive Measures on Foreign Investment

168 Reflecting on Hong Kong's historical strength as a free trade hub with minimal property market manipulation, AmCham emphasizes the need for the Government to adopt a proactive stance. The following detailed regulatory adjustments are proposed to enhance Hong Kong's real estate market, fostering greater transparency, efficiency, and international appeal. Among these adjustments, AmCham suggests reducing punitive measures on foreign investment by:

⁶⁴ Das, A. (2021, January). Public housing in the global cities: Hong Kong and Singapore at the Crossroads. Research Gate. https://www.researchgate.net/publication/346496489_Public_Housing_in_the_Global_Cities_Hong_Kong_and_Singapore_at_the_Crossroads

⁶⁵ Kam, V. (2023, October 27). Hong Kong's property prices won't pop any time soon. here's why. CNBC.

<https://www.cnbc.com/2023/10/27/hong-kong-property-sales-may-surge-after-easing-measures-prices-may-not.html>

⁶⁶ Swire Properties 2024 Interim Results. (2024b). <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0808/2024080800147.pdf>

- Relaxing or eliminating restrictions that prevent non-permanent residents from owning property in Hong Kong could reinvigorate the real estate market
- Streamlining the processes for property acquisition by foreign investors reduces bureaucratic hurdles and makes Hong Kong a more attractive destination for international capital
- Remove macroprudential measures considering the diminished trend of speculative trading in the real estate market, and increase transparency in the rental market as well

10. Innovation, Technology & Industry

169 With an accelerated pace of technological developments after the COVID pandemic and the increasingly common usage of generative AI (artificial intelligence), innovation and technology (I&T) are at the forefront across sectors in today's society. Hong Kong's I&T sector has also made significant progress in recent years. Alongside Shenzhen and Guangzhou, the sector was ranked as the world's second-best in terms of performance by the Global Innovation Index 2023. In 2023, the number of start-ups in Hong Kong grew by 7%.⁶⁷ While the advancement of the sector has been remarkable, it is also important to maintain a sustainable and steady growth and expand the potential of these technologies.

170 In this chapter, the Chamber puts forward a few proposals to achieve these goals:

- Emphasize free flow of information and data under the governing principle of “One Country, Two Systems”
- Maximize and diversify the use of new technologies
- Increase technological support to the SME segment
- Reinforce and rethink the role of Hong Kong

Emphasize Free Flow of Information and Data under the Governing Principle of “One Country, Two Systems”

171 The “Glory to Hong Kong” event saga has gravely impacted foreign investors' business decisions and diminished Hong Kong's international image, which is already in some difficulty. While members acknowledge the Government's policy priority, the injunction action has affected business confidence particularly in the free flow of information and free internet access in Hong Kong.

172 Closely related to this is the free movement of data which underpins the digital economy and plays a fundamental role in data-driven growth and innovation. The effective and efficient functioning of data processing across borders is a fundamental building block in any data value chain. In this regard, the Chamber urges the Government to:

- **Not** impose data localisation requirements for the public and/or private sectors as localisation measures do not improve personal data security outcomes but do impede business innovation and limit services available to consumers.
- Recognize international security and privacy standards and code of practices that have proven their efficiency as an appropriate voluntary mechanism for demonstrating compliance with domestic privacy laws and frameworks.

Maximize and Diversify the Use of New Technologies

173 AmCham encourages different sectors to harness the full potential of generative AI following its increasing adoption over the past few years. For instance, in 2023, Allen & Overy led the example in the legal industry to integrate Harvey AI for a range of legal tasks, from automating client contracts to conducting due diligence.⁶⁸ Additionally, estimates suggest that chatbots used in banking provide \$8 billion in cost savings annually.⁶⁹ The data collected during these processes has also enhanced the performance of machine learning models. While the financial and banking sectors have already embraced digitalization through initiatives like online banking and e-payment systems, the Chamber sees potential for the business sector to take further steps by incorporating more advanced technologies such as generative AI. This includes, but is not only limited to, applications like chatbots and predictive analytics.

174 However, Hong Kong is facing growing risks of being “marginalized” in the era of generative AI due to the lack of access to global emerging AI services. Hong Kong, under the governing principle of “One Country, Two Systems”, should have free access to applications such as Open AI's ChatGPT and Google's Gemini, the same way it has free

⁶⁷ Cheung, H. (11AD). *Innovation and Technology Industry in Hong Kong*. HKTDC research.

[https://research.hktdc.com/en/article/MzEzOTIwMDIy#:~:text=Biotechnology%2C%20artificial%20intelligence%20\(AI\),terms%20from%20a%20decade%20ago](https://research.hktdc.com/en/article/MzEzOTIwMDIy#:~:text=Biotechnology%2C%20artificial%20intelligence%20(AI),terms%20from%20a%20decade%20ago).

⁶⁸ Wakeling, D. (2023, February 15). *A&O announces exclusive launch partnership with Harvey*. A&O Shearman.

<https://www.aoshearman.com/en/news/ao-announces-exclusive-launch-partnership-with-harvey>

⁶⁹ *Chatbots in Finance*. Consumer Financial Protection Bureau. (2023, June 6). <https://www.consumerfinance.gov/data-research/research-reports/>

access to international social media platforms and media outlets. While we welcome the Government's support for locally developed AI services to promote innovation in the industry, the continued lack of access to international services will have long-term implications for the city as an international financial center. In the case where companies have excluded Hong Kong from their list of market, the HKSAR Government should:

- Consider Hong Kong's long-term competitive advantages vis-à-vis its neighboring markets in terms of access to generative AI services, and be proactive in its outreach to attract major international technology players to provide AI services in Hong Kong. It should clarify any misunderstandings and misperceptions these players may have about Hong Kong, its laws and regulations, and highlight its distinctiveness from the rest of the country.

175 AmCham believes that a principle-based and risk-based approach to AI governance is essential to accommodate this new trend, as opposed to a generic, one-size-fits-all approach. Moreover, the security of the data involved is one of the important areas that warrants careful attention. Therefore, the Chamber urges the Government to:

- Target specific high-risk use cases of AI systems with guidance, instead of requiring specific steps for all organizations. The passage also emphasizes the importance of aligning with international standards and avoiding a patchwork of local, conflicting requirements, which could undermine the potential of AI, especially for small innovative companies.
- Focus on addressing new risks introduced by the use of AI by amending or enhancing existing laws and regulations, rather than creating a separate framework.

176 Apart from the expanding the use of AI, cloud technologies are also key to driving the digital transformation. In the course of formulating the Pan-Government IT strategy in 2010, the Government has acknowledged the importance of providing an interoperable and sharable technology architecture and infrastructure, and examined the strategies, practices and initiatives of other economies in adopting cloud computing technologies. Taking into account international experience since then, AmCham urges the Government to:

- Adopt a more pro-cloud policy to fully capitalize on the merits of cloud computing in terms of agility, cost savings, elasticity, allowing faster innovation and deployment, with a view to driving digital transformation in both the public and private sectors.

Increase Technological Support to the SME Segment

177 With over 360,000 in number, more than 98% of Hong Kong's enterprises are SMEs,⁷⁰ making them the foundation of Hong Kong's economy. While tech giants have paved the way for the latest developments in the sector, the innovation and creativity of SMEs and start-ups cannot be undermined as the vibrancy and energy of these smaller-sized firms are essential to Hong Kong's technological developments. Therefore, AmCham has a few suggestions for the Government to enhance support for this important sector:

- Encourage both technology companies to create solutions tailored for SMEs, while also motivating SMEs to embrace these technologies. This can be accomplished by promoting tech startups focused on serving SMEs, and providing incentives for large technology companies to support the digitalization of Hong Kong's SMEs.
- Increase funding for SMEs and start-ups in the I&T sector. A recent HSBC survey revealed that 31% of SMEs surveyed identified the cost of investing in new tech systems and boosting employees' skills as their most significant challenges.⁷¹ This lack of funding often hinders smaller firms from bringing their innovative ideas to fruition.

⁷⁰ *SME support*. Commerce and Economic Development Bureau. (2024, July 5). <https://www.cedb.gov.hk/en/business-environment/sme-support.html>

⁷¹ HSBC. (2024, March 20). HSBC Digital Horizons Report: SMEs are prepared for emergence of new technologies.

Reinforcing and Rethinking the Role of Hong Kong

178 In the face of the fact that Hong Kong has faced keener competition from Singapore in the past few years,⁷² AmCham believes that it is prime time for Hong Kong to rethink its international position. Rather than unhealthy competition, it might be better to ponder the exclusive attractiveness of Hong Kong and how to co-exist with its competitors.

179 In the I&T sector, Hong Kong should:

- Leverage its fortuitous geographical location alongside the Mainland, where major Chinese cities like Shanghai, Beijing, Guangzhou, Shenzhen, and Chengdu are crucial for data centers, colocation services, and digital infrastructure. Total data generation in China is projected to grow from 9.6 zettabytes in 2022 to 35.2 zettabytes over the next five years, with a compound annual growth rate of 29.7%.⁷³ Given the escalating tension of the chip war between China and the West, it is essential to strengthen partnerships with data centers in Mainland China. For example, a “computing resources free-trade zone” can be established between these centers and Hong Kong, governed by Hong Kong’s regulations. This would increase efficiency and lower barriers to cross-border technological collaboration in the future.
- Take advantage of its position as an international financial hub and explore newer arenas. For instance, the Government can emphasize the role played by Insurtech beyond the insurance companies with headquarters in Hong Kong currently. While fintech has a long-standing position in the city, there is great potential that lies in the Insurtech sector, which is growing at a substantial pace globally. The global Insurtech market size was valued at USD 5.45 billion in 2022 and is expected to expand at a compound annual growth rate of 52.7% from 2023 to 2030.⁷⁴ AmCham believes that the I&T sector should grasp the opportunity and expand its application more widely.
- Take a more balanced approach to innovation and national security. Safeguarding national security should not become an obstacle to innovation and economic growth. We encourage the HKSAR Government and Legislative Council members to go abroad and engage with technology sectors in the U.S. and Europe to rebuild investor confidence and seek new and innovative opportunities for Hong Kong.

⁷² *The Global Financial Centres index 35*. Public Reports - Long Finance. (2024, March 21).

<https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-35/#:~:text=The%20thirty%2Dfifth%20edition%20of,policy%20and%20investment%20decision%2Dmakers>.

⁷³ Introduction to the Data Center Industry. HKExnews. (2020c).

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1021/9479636/2020102100066.pdf>

⁷⁴ Horizon Databook. (2023). Horizon Home Industries Biotechnology Clinical Diagnostics Consumer Goods MedTech Polymers & Resins Technology Explore All Industries Companies Premium Services Insights Contact Us This site uses cookies to improve user experience. More info Global Insurtech Market Size & Outlook, 2023-2030. Grand View Research.

<https://www.grandviewresearch.com/horizon/outlook/insurtech-market-size/global>

11. Labor & Welfare

180 Hong Kong has successfully positioned itself as a nexus for international expertise across various industries, largely fueled by the Government's innovative Top Talent Pass Scheme (TTPS). According to statistics, there have been 62,873 applications received under this scheme, with 49,737 of those being approved in 2023 alone.⁷⁵ As we approach the forthcoming policy address, AmCham underscores the necessity for the Chief Executive to intensify focus on three pivotal areas: enhancing talent attraction, improving talent retention, and advancing Diversity, Equity, and Inclusion (DEI) initiatives. These domains are critical for leveraging Hong Kong's competitive advantages in workforce development, educational opportunities, and the potential for long-term career prospects.

181 AmCham would like to focus on some key specific areas:

- Talent attraction and retention
- Strengthen support for foreign talents in Hong Kong
- DEI enhancements in the workforce

Talent Attraction and Retention

182 AmCham applauds the HKSAR Government's initiative to attract and retain competent internationals through the Top Talent Pass Scheme (TTPS). However, AmCham believes the current guidelines lead to challenges in effectively attracting and retaining high-quality talent. Some recent case underscores the importance of enhancing our vetting processes. This proactive approach will help maintain the integrity of the scheme and prevent potential misuse in the future. Therefore, clear criteria and due diligence are essential to ensure the scheme attracts qualified professionals who can contribute significantly to Hong Kong's development. Additionally, AmCham encourages the Government to enhance its retention strategies by addressing the concerns related to housing affordability, education, and the adaptation challenges faced by foreigners.

183 AmCham recommends the following to refine current insufficiencies:

- Provide detailed guidelines on the eligibility criteria and the requirements for renewing the Talent Pass, including clear proof of address and family location, employment contracts showing a job position that aligns with the individuals' experience or background, salary at prevailing market rate, etc.
- Refine the application process management to prevent false documentation and ensure the integrity of the scheme, while maintaining efficiency in approvals
- Target high-need industries that face significant talent shortages, such as tech startups, healthcare, and other professional fields, meanwhile strengthening promotion in various geographic locations to enhance the diversity of talents in terms of nationality.
- To attract top-tier professionals, consider tax incentives and benefits, such as increasing the child allowance and lowering the tax cap from 17% to 15% on the HK\$200,000+ taxable income band, as recommended by the Taxation Institute of Hong Kong.⁷⁶

⁷⁵ *Statistics on applications received and approved under "top talent pass scheme."* Statistics on applications received and approved under "Top Talent Pass Scheme" | DATA.GOV.HK. (n.d.-a). <https://data.gov.hk/en-data/dataset/hk-immmd-set4-statistics-received-approved-ttps/resource/5c92f15e-ac43-4e8c-961e-c2bb153a79af>

⁷⁶ "Introduce more tax incentives to attract talent." RTHK. (2023, February 13). <https://news.rthk.hk/rthk/en/component/k2/1687730-20230213.htm>

184 On a related note, the 2023 statistics for the Top Talent Pass Scheme (TTPS) reveal a significant imbalance in the composition of applicants, with 47,021 out of 49,737 approvals coming from Mainland China.⁷⁷ This overwhelming majority suggests a lack of diversity and specialization in the talent pool, which may not align with Hong Kong's long-term strategic needs in key sectors such as research & development, artificial intelligence, or technology. The current passive approach of granting approvals based on the existing candidate pool might not fully address the future talent requirements or promote a diversified and highly skilled workforce. Hence, AmCham suggests the Government to:

- Implement a proactive talent attraction strategy by setting diversity quotas and targeting specific skillsets. The Hong Kong Government should conduct a thorough analysis to identify the types of talent needed over the next 10-20 years, particularly in niche sectors. Based on this analysis, the Government should actively seek and attract applicants with particular skillsets, ethnic backgrounds or education that match Hong Kong's fastest growing sectors such as eCommerce, Fintech and Biotech.

Strengthen Support for Foreign Talents in Hong Kong

185 AmCham welcomes the establishment of HKTE in October 2023 to support incoming talents. Our members observed that one of the significant challenges in retaining foreign talent in Hong Kong is the lack of clear guidance and solutions for newcomers when they face uncertainties. To address this issue, AmCham recommends strengthening support for foreign talents who have already arrived in Hong Kong with a 12-month starter pack for incoming talent, in addition to the themed seminars and workshops that are currently organized by the HKTE. This include providing workshops and essential information about various aspects of living and working in Hong Kong, thereby alleviating uncertainties and knowledge gaps.

186 Recommendations for the 12-month starter pack:

- Education: Information on the education system, options for international schools, and local vs. international curricula
- Housing: Assistance with finding housing, understanding rental agreements, and navigating the housing market
- Logistics: Assistance with everyday logistics, such as setting up bank accounts, obtaining mobile services, and understanding local regulations
- Medical System: Guidance on navigating the healthcare system, including insurance options and medical facilities
- Taxation: Detailed information on the taxation system, filing taxes, and available tax incentives
- Transportation: Guidance on using public transportation, obtaining driving licenses, and other logistic
- Recreational activities: Access to libraries and sports centers
- Organize workshops and buddy programs to help newcomers integrate into the community and foster a sense of community among newcomers to help them feel more connected and supported. These programs should provide:
 - Workshops: Sessions on cultural adjustment, language skills, and tips for living in Hong Kong
 - Buddy Programs: Pair newcomers with experienced residents who can offer guidance and support
 - Creating Social Networks: Encourage social events and networking opportunities
 - Support Groups: Establish support groups for common challenges, such as adapting to a new environment or dealing with mental health concerns

DEI Enhancements in the Workforce

187 AmCham recognizes the importance of balancing family and work life, especially for women who are essential contributors to both the workforce and their families. The current statutory maternity leave practices in Hong Kong include an 80% pay restriction for those taking maternity leave,⁷⁸ which we believe should be re-evaluated to better support working mothers. Furthermore, while the allowance for paternity leave is acknowledged,

⁷⁷ Statistics on approved applications under "top talent pass scheme" with breakdown by region of applicants. DATA.GOV.HK. (n.d.). <https://data.gov.hk/en-data/dataset/hk-imm-d-set4-statistics-approved-region-tps>

⁷⁸ Huang, K. (2022, November 29). *Maternity leave and payment: Mainland China and Hong Kong*. China Briefing. <https://www.china-briefing.com/news/maternity-leave-and-payment-a-comparison-of-relevant-rules-in-mainland-china-and-hong-kong/>

extending it significantly could lead to substantial losses in the commercial sector, particularly given the high percentage of men in management positions in both private and public companies.

188 To improve the support for working parents, AmCham recommends the following measures:

- Remove the current pay restriction for maternity leave and allow for full pay to provide adequate financial support to new mothers and reduce economic strain on families
- With more corporations allowing employees to work from home on a normal basis, consider increasing flexibility in allowing longer maternity leaves than 14 weeks. For reference, India's maternity leave is 6 months,⁷⁹ given that their birth rate is 2.03 births per woman in 2021 compared to 0.77 in Hong Kong
- Allocate funds to social pension schemes to support working mothers, ensuring they have financial stability during and after their maternity leave
- Increase the availability of daycare solutions and a holistic system to support early parents. The current Government incentive is HK\$20,000 for each newborn, yet AmCham believes a continuous stream of payments instead of a one-off reward would be more effective in boosting the birth rate
- Address the availability of domestic helpers as a pull factor for foreign young talents who are part of dual-income families. This can significantly improve work-life balance and make Hong Kong more attractive to international professionals with families

189 On the other hand, there has been a notable shift towards the protection and awareness of mental health and inclusivity in the corporate world. Pride Month has emerged as a successful example of fostering connections between the LGBTQ+ community and corporate management. Similarly, mental health awareness has become crucial in mitigating toxic workplace cultures. This heightened focus on mental well-being is essential due to its direct impact on employee productivity and job satisfaction. By addressing these issues, companies can create a more supportive and efficient work environment, ultimately benefiting both employees and the organization as a whole. Hence, AmCham suggests the following refinements:

- Address mental health concerns properly in the workplace by implementing employment mandates aimed at destigmatizing mental health issues. These mandates should encourage companies to take simple yet effective steps, such as reviewing their insurance providers to ensure adequate access to mental health services. Additionally, we propose introducing mandatory annual mental health check-ups or counselling sessions for all employees. Companies should also be required to include mental wellness as a criterion when evaluating their overall health policies, thus promoting a more holistic approach to employee well-being
- To foster a more inclusive work environment, AmCham suggests introducing an inclusive hiring quota to promote Diversity, Equity, and Inclusion (DEI). This initiative would involve setting out specific hiring criteria for individuals with physical and mental challenges, such as Deutsche Bank's dbEnable program for students with disabilities.⁸⁰ Furthermore, companies should be required to fulfil a predetermined quota for employing individuals with disabilities
- Revamp of guidelines to ensure gender diversity in companies. While the current HKEX requirement for listed companies to have at least one female board member⁸¹ is a step in the right direction, we believe more can be done. We recommend implementing a sliding scale of female representation requirements based on company size and number of employees. This approach would ensure that larger organizations take on greater responsibility in promoting gender diversity. Additionally, we advocate for the introduction of more executive training programs specifically designed to prepare women for leadership roles, thus creating a pipeline of qualified female candidates for senior positions

⁷⁹ TATA AIG Team. (2024, May 25). *Maternity leave rules in India 2024: Laws, eligibility, Benefit and Rules*. Maternity Leave Rules in India 2024 | Laws, Eligibility, Benefit and Rules. <https://www.tataaig.com/knowledge-center/group-health-insurance/maternity-leave-rules-in-india>

⁸⁰ *DbEnable*. Deutsche Bank Careers. (n.d.). <https://careers.db.com/students-graduates/insight-programmes/asia-pacific/db-enable>

⁸¹ Board Diversity & Inclusions in focus. (n.d.). https://www.hkex.com.hk/eng/BoardDiversity/newly_listed.htm

12. Transport & Logistics

190 Commended as “a gold standard of mobility services”, Hong Kong’s public transit system has always been a model globally. In the 2023 joint survey conducted by Oliver Wyman Forum and the Institute of Transportation at the University of California, Berkeley, Hong Kong tops the Public Transit Sub-Index for the second year in a row.⁸² Nonetheless, other aspects of the transportation and logistics sector in Hong Kong still require further improvements: Some of these are point-to-point transportation and connectivity to Mainland China. To maintain the status and competitiveness of the city globally, AmCham believes that the convenience, efficiency, and variety of transportation and logistical services options in Hong Kong are essential.

191 In this chapter, the Chamber highlights the following aspects:

- Enhance Hong Kong’s integration with the GBA for improved competitiveness
- Hasten the implementation of the Electric Road Pricing (ERP) system
- Re-evaluate e-hail regulations to optimize the point-to-point transport industry
- Establish Hong Kong as a Walkable City

Enhance Hong Kong’s Integration with the GBA for Improved Competitiveness

192 One of the key aspects of improving Hong Kong’s competitiveness as a city is its integration with the GBA. Based on input from the sector, it is known that a major barrier to businesses opening regional distribution centers in Hong Kong is the high transportation and logistical costs. AmCham encourages the Government to advance the transportational connectivity between Hong Kong and Mainland China to facilitate cross-border collaboration. Expanding the historical attractiveness of Hong Kong as a port city, the Chamber would like to emphasize another aspect of the city’s transportational and logistical competitiveness—its air transport.

193 As the fourth busiest for international passengers in the Asia-Pacific region in 2023,⁸³ with its total cargo throughput ranking first in the world,⁸⁴ the Hong Kong International Airport (HKIA) has plenty of potential. Targeting this strength and the overarching theme of GBA integration, AmCham reiterates the roadmap of the Airport Authority Hong Kong (AAHK) to expand the catchment area adjacent to the GBA. This would not only support cargo logistics but also facilitate the air-to-bridge-to-air transport service between HKIA and Zhuhai Airport.

194 Overall, the Chamber suggests the Government to:

- Develop a multi-pronged approach to improving Hong Kong’s connections and integration with GBA. In terms of transportation and logistics, this means an expansion and improvement in all areas, from sea freight to air travel. The Government should make full use of the strategic location of Hong Kong, with its proximity to GBA and connectivity to the rest of Asia by enhancing its transportational and logistical services.

⁸² Oliver Wyman, & UC Berkeley. (2023). *Urban mobility readiness index 2023*. Oliver Wyman Forum. <https://www.oliverwymanforum.com/mobility/urban-mobility-readiness-index.html>

⁸³ Lo, E. (2023, November 9). *Logistics Industry in Hong Kong*. HKTDC research. <https://research.hktdc.com/en/article/MzExMjkxOTgy>

⁸⁴ Westbrook, L. (2024, February 13). *Hong Kong Airport ranks fourth for passenger traffic in Asia-Pacific region*. South China Morning Post. <https://www.scmp.com/news/hong-kong/transport/article/3251756/hong-kong-airport-ranks-fourth-passenger-traffic-asia-pacific-region-city-urged-find-tourism-niche>

Hasten the Implementation of the Electric Road Pricing (ERP) System

195 AmCham appreciates the effort of the Government in carrying out the ‘Electric Road Pricing’ (ERP) Pilot Scheme (2017-2022) and the proceeding assessments. The ERP system has seen great success in Singapore, from alleviating road congestion to improving air quality. That said, the plan to establish a cordon-based ERP system in the Central Core District has not materialized despite Hong Kong being the first jurisdiction to propose the scheme in the 1980s, and the largely supportive conclusions from the pilot scheme.⁸⁵ While the Automatic Traffic Enforcement System and HKeToll free-flow tolling service have helped in alleviating traffic, there are still benefits that only the ERP system can provide currently. This includes automatic number plate recognition, Dedicated Short Range Communication and Vehicle Positioning System technologies to analyze vehicle movements in real-time. Therefore, AmCham suggests the Government should:

- Hasten the implementation of the ‘Electric Road Pricing’ (ERP) system to enhance the environmental sustainability of the transportation and logistics sector, in alignment with the Government’s Smart City and Climate Action Plan 2050.

Re-evaluate E-hail Regulations to Optimize the Point-to-Point Transport Industry

196 “There is a demand for ride-hailing services...the reality is that it is a popular trend,” Lam Sai-hung, the Secretary for Transport and Logistics, said in a recent interview.⁸⁶ The global rise in popularity of e-hail over the past decade is undeniable; the global ride-sharing market size was valued at USD 106.66 billion in 2023 and is projected to grow at a compound annual growth rate of 18.5% from 2024 to 2032.⁸⁷ Ride-sharing is already a widely accepted mode of transportation around the world. Having convenient and high-quality point-to-point transportation options facilitate business and investment for economic growth. In the context of Hong Kong’s status as an international business hub, AmCham recognizes the importance of these services in maintaining the city’s global reputation and competitiveness.

197 AmCham appreciates the Government’s latest plan to launch taxi fleets aiming to tackle the issue of the insufficiencies of traditional taxis. According to officials, the taxi fleets will be subject to more requirements and feature more services, such as e-payment options and the installation of security cameras on the vehicle. However, we believe that there are still unique benefits that only ridesharing can offer.

198 From the perspective of ride-sharing drivers, e-hail platforms provide a source of additional income. For instance, more than 100,000 drivers have earned income through Uber, which has been a big player in the e-hail industry.⁸⁸ According to a Hong Kong Uber driver survey conducted in March 2024, approximately 84% of the respondents also mentioned their earnings through the Uber platform are a ‘very crucial’ or ‘crucial’ part of their total income. This was particularly the case during the pandemic when many workers were laid off or furloughed due to the economic downturn. In such situations, the platform economy forms an important source of short-term and flexible income. Furthermore, the flexibility allows individuals who might not be able to work in traditional employment settings to earn, forming a key part of the emerging gig economy.

199 For riders, there are also substantial advantages. The following highlights a few of the key areas:

- Improved service and customer experience: E-hail platform operators have continuously invested in the user experience by developing innovative application features, such as digital payment options, real-time location tracking and various safety features.
- Flexible supply: Compared to traditional taxis that operate based on a shift schedule, ridesharing can adjust to peak hours and cyclical demand trends. Thus, they are able to increase their supplies to meet demand during peak hours, allowing a quicker and more efficient mode of point-to-point transport.

⁸⁵ Cheng, I. (2022, August 5). *Electronic road pricing schemes in selected places*. Legislative Council of the Hong Kong Special Administrative Region - Electronic road pricing schemes in selected places. <https://www.legco.gov.hk/research-publications/english/essentials-2022ise12-electronic-road-pricing-schemes-in-selected-places.htm>

⁸⁶ Liu, O. (2024, July 12). *Uber “will be out of the game” in Hong Kong if it can’t Meet Requirements: Minister*. South China Morning Post. <https://www.scmp.com/news/hong-kong/transport/article/3270129/uber-will-be-out-game-hong-kong-if-it-fails-meet-requirements-minister>

⁸⁷ *Ride sharing market size, share, growth: Industry Report, 2032*. Ride Sharing Market Size, Share, Growth | Industry Report, 2032. (2024, July 1). <https://www.fortunebusinessinsights.com/ride-sharing-market-103336>

⁸⁸ Uber. (2024). *Reasonable Ridesharing Regulation and Significance to Hong Kong*. Legco. <https://www.legco.gov.hk/yr2024/english/panels/tp/papers/tp20240712cb4-1022-1-e.pdf>, p. 2.

- Improved road safety: From 2013 to 2022, the percentage of taxi accidents involving older taxi drivers rose from 8% to 27%. The number of taxi drivers aged 70 years old or above also rose 80% from 2018 to 2023, from 17,500 to over 31,000.⁸⁹ In comparison, the median age of Uber ride-sharing drivers stands at 42 as of 2023.⁹⁰ Indeed, the Government acknowledges the difficulty in attracting new blood to the industry.⁹¹ The aforementioned attractiveness of ride-sharing to younger drivers, in turn, might improve the safety of riders.

200 Thus, AmCham urges the Government to:

- Establish a framework for platforms and vehicles simultaneously that allows for co-existence and level playing field between ride-sharing and traditional taxis to maintain Hong Kong's competitive edge as a global business and financial hub. By opening the point-to-point transportation ecosystem to more participants, competition can be fostered, resulting in enhanced quality, services, innovative features, and competitive pricing.

Establish Hong Kong as a Walkable City

201 AmCham applauds the Transport Department's walkability strategy and the Government's efforts in fostering a pedestrian-friendly environment in Hong Kong since 2020.⁹² To further enhance pedestrian experience, the Government needs to create a comprehensive and integrated walkable and liveable city plan to strengthen its "Walk in HK" strategy.⁹³ The following are recommended:

- Re-consider the Des Voeux Road pedestrian zone plan which was initiated in 2014⁹⁴
- Incorporate the concepts of bike share, bicycle lanes into road planning
- Find a solution that addresses the impact of pedestrianization on commercial parking. The Government could develop a system of taxation-related incentives to drive the plan

⁸⁹ Hua, C. (2023, September 29). *Hong Kong copes with Rising taxi hazard*. chinadailyhk. <https://www.chinadailyhk.com/hk/article/353831>

⁹⁰ Uber (2024), p. 4.

⁹¹ *Legislative Council Panel on Transport Enhancing Personalised and Point-to-point Transport Services*. Legco. (2022, April 8). <https://www.legco.gov.hk/yr2022/english/panels/tp/papers/tp20220408cb4-214-2-e.pdf>

⁹² <https://www.tlb.gov.hk/eng/legislative/transport/replies/2024/20240508b.html>

⁹³ https://www.td.gov.hk/en/transport_in_hong_kong/pedestrians/w_city/index.html

⁹⁴ <https://www.scmp.com/news/hong-kong/article/1499424/joint-study-proposes-vehicle-ban-cleaner-air-des-voeux-road-central>