

[For Immediate Release]

Budget measures found wanting **HKIoD's Response to the 2012-2013 Budget**

(Hong Kong, 1 February 2012) The Hong Kong Institute of Directors (“HKIoD”) reacts to the 2012-13 Budget delivered by the Financial Secretary today.

Support SMEs in their fight

HKIoD welcomes the measures to support SMEs. Among such, the initiative to enhance the existing SME Financing Guarantee Scheme, with the Government to provide a total guarantee commitment of \$100 billion, has responded to our call to reintroduce the Special Loan Guarantee Scheme.

“As we have said it many times before, many SMEs were not able to take advantage of the loan guarantee schemes. One common impediment remains that many SMEs are ill-prepared to submit sound loan proposals. They need a better corporate governance scorecard to demonstrate that they have the proper level of internal control, and they need better corporate governance training in order to do. We wish the FS could listen to us, to make it easier and make it more affordable for SME owners to obtain training to enhance their corporate governance practices,” said Dr Kelvin Wong, Chairman of the Institute.

The FS resolved to commission the Hong Kong Mortgage Corporation Limited to introduce a three-year microfinance pilot scheme. The target borrowers are those starting a new business, those self-employed, and those who wish to receive training, enhance their skills or obtain professional qualifications. With the business environment in that much more a state of flux in the wake of the global financial crisis, the need for more robust directorship has been more pressing than ever. “We should require company directors to go on continuing professional development, to improve and broaden their knowledge, experience and skills in order to develop the qualities to better tackle the challenges facing them. The microfinance scheme should cover loans made for obtaining training to enhance company directors’ qualities in corporate governance. In fact, we have previously asked the FS to allow profits tax deduction on expenses for corporate governance training, but those views were not taken,” said Dr Wong.

Further develop the bond market

HKIoD long called for the development of the bond market. HKIoD supported the idea of iBonds and welcomes the move to issue another tranche.

HKIoD agrees with the FS, that going forward we must be working towards developing a more mature bond market. “While we develop the bond market, we surely can make better use of bond instruments as the means to finance high price tag solutions to some of our social problems. It is conceivable that we can sell bonds to raise the war chest required to re-acquire the interests in the tunnels to better manage usage and traffic flow. It is also conceivable that we sell bonds to finance other new infrastructure projects,” said Dr Wong.

Infrastructure to match development

The past decade or so saw Hong Kong falling off its pace in infrastructure development. HKIoD appreciates the efforts in the last few years to kick off some large scale projects. “We must keep up this reversal in trend, we must strive ahead with more infrastructure projects to match our development needs,” said Dr Wong.

HKIoD looks forward to the results of the feasibility study report on Container Terminal 10 and of the Study on the Strategic Development Plan for Hong Kong Port 2030, both of which are expected later this year. Indeed the Government should develop a concrete long term plan for Hong Kong to maintain its international shipping centre status.

Environmental protection

HKIoD welcomes the measures to encourage more ocean-going vessels to switch to low sulphur fuel, and to widen the use of electric vehicles including buses. Reducing emission should have an appreciable effect at improving air quality. From a broader environmental protection perspective, the HKIoD would want to see the Government devote more resources to support the growth of the environmental protection industry.

Relief measures found wanting

HKIoD advocates and is in support of the FS’s decision not to extend the \$6000 Scheme. The several measures proposed in the Budget should have some effect at relieving the burden of the middle class. Nonetheless, a not insubstantial number in the bottom echelon of society may simply not qualify for any. Overall, the relief measures are some soothers with strength and potency found wanting.

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About The Hong Kong Institute of Directors

The Hong Kong Institute of Directors (“HKIoD”) is Hong Kong's premier body representing professional directors working together to promote good corporate governance and to contribute towards advancing the status of Hong Kong, both in China and internationally. A non-profit-distributing organisation with membership consisting of directors from listed and non listed companies, HKIoD is committed to providing directors with educational programmes and information service and establishing an influential voice in representing directors. With international perspectives and a multi cultural environment, HKIoD conducts business in biliteracy and trilingualism. Website: <http://www.hkiod.com>.

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