香港董事學會
The Hong Kong Institute of Directors
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[For Immediate Release]

HKIoD's Response to the 2019-20 Budget

Note: The response first appeared in Chinese on 27 February 2019.

Get Some Basics Going

The Hong Kong Institute of Directors made the following statement in response to the 2019-20 Government Budget.

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(27 February 2019, Hong Kong) – In the view of HKIoD, the Budget delivered today may not have too many new ideas or bright spots, but is one that seeks to get some basics going. To be able to accomplish something basic may be the pathway for Hong Kong to get back on the right track.

A diversified economy for better more resources
Scaling back on one-off reliefs should be palatable given a much-reduced budget surplus. How best to create and afford resources to meet spending demands over time will remain key. And in this realm, whether we can foster a public finance model with a more stable revenue stream can dictate whether we will ever have sufficiently reliable resources to take on livelihood issues over the long term.

The Institute believes economic growth remains our best friend when it comes to finding new monies to tackle livelihood issues. With sustained economic growth, all walks of life are that much more able to share in the prosperity.

The Financial Secretary made the point that Hong Kong should develop "talent-intensive" industries and focus on high value-added activities. And to develop industries, we must recognise our positioning, strengths and weaknesses, and leverage Hong Kong's edge by utilising resources and policy measures. Indeed, how well do we capitalise on the opportunities stemming from the grand vision of "One Belt, One Road" and the ambition of a Greater Bay Area can be telltale of Hong Kong's ability to sustain growth and stay relevant. We believe the various sectors of society will tend to agree with us on this point.

Measures to support industry sectors, especially the financial sector, would measure up to the Financial Secretary's willingness to introduce tax measures strategically. On transferring the Tax Policy Unit to come directly under the Financial Secretary's Office, the FS did not spell out the plans for its future work direction. We would wish to see a heightened role and function, to lay the foundation for a comprehensive review of the tax regime to make it more competitive and efficient.

We believe the public at large will watch closely the eventual effectiveness of those measures mentioned in the Budget Speech that are to ensure the work quality of building construction.

As for measures to support SMEs, the Institute is pleased to see another year of profits tax reduction (75%; limit reverting to $20,000). The proposal to inject into the Dedicated Fund on Branding, Upgrading and Domestic Sales another $1 billion on top of the $1.5 billion last year and to further relax the funding ceiling and conditions should be of some help to SMEs. To extend the application period for the "special concessionary measures" under the SME Financing Guarantee Scheme to 30 June 2020 should also go some distance to help SMEs cope with cash flow and the costs of doing business.

The Budget Speech spent many paragraphs on promoting I&T development to drive the economy. The Financial Secretary made the point that to develop I&T will require a robust ecosystem, including I&T infrastructure. Such would be hard to deny, but efforts to expand the Science Park and the Cyberport, and efforts to build out the Lok Ma Chau I&T Park will surely miss the target if the approach is as if they were just a few other real estate development projects.

The Financial Secretary made a further point that scientific exploration and academic research in universities lay the foundation for Hong Kong's I&T development. The Budget will set aside a dedicated provision of $16 billion for universities to enhance or refurbish facilities for R&D. We support the approach. The Institute has great respect for the many achievements local universities have made in upstream academic research, but we need them to redouble the efforts downstream to turn more research into products that have societal impact.

A good place to live? A great place for visitors?

The Budget will earmark another $6 billion to further improve the harbour front. This should be good for locals and visitors alike, as they will have more places to go for leisure and pleasure. We hope the amenities so developed will showcase designs that have users in mind, so to enhance the user experience.

When friends and relatives come for a visit during the festive seasons, we would normally have goodies ready to serve the guests. We would also remember to give the toilet "a little scrub" so to avoid embarrassment. The Financial Secretary intends to spend $600 million over 5 years to improve public toilets around town. This might not sound like any glamorous plan or idea, but locals and visitors alike will have biological needs and they will find improved public toilets a comfort and convenience. This could be something more practical than contrived tourist attractions. To do something basic and to do it well may be an important step to revive Hong Kong tourism.

Long-term development driven by manpower

The Financial Secretary made it known that the Academy of Finance announced in last year's Budget will come into operation this year. The purpose of the Academy is to nurture financial leadership and to encourage cross-sector applied research. We are delighted with the progress. Hong Kong financial talent must necessarily include the capability in corporate governance. Financial institutions providing financing as well as business enterprises wanting credit will all prosper from good corporate governance.

HKIoD believes lifelong training for directors in corporate governance knowledge and skills is an important yet often neglected segment when it comes to nurturing talents for the economic development of Hong Kong.

But corporate governance is not just for big banks and big corporates. Owners of SMEs and those who are thinking about starting a business should also pay attention. There have been plenty of cases where SMEs still find it difficult to take full advantage of loan schemes of one kind or another. One common impediment is that many SMEs could not demonstrate proper internal control and are ill-prepared to submit sound loan proposals. A better corporate governance scorecard will make it more likely for a business to obtain credit and financing.

Company directors are ultimately responsible for corporate governance. Better quality company directors should mean better corporate governance. HKIoD believes that company directors should have a firm measure of competence to perform when they first assume their posts. Over time, they should strive to remain up-to-date with best corporate governance practices. Similarly, directors/governors of social enterprises, charitable organisations and statutory bodies should also be ready and prepared to discharge their duties when they start out and to keep up-to-date with best governance practices over time.

The Institute prays for the Government to draw up measures to help directors of business companies or governors of organisations of various kinds, whether those who now are and those who aspire to be, to obtain quality training so as to raise the level of their corporate governance practices.

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About The Hong Kong Institute of Directors

The Hong Kong Institute of Directors is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. 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.

To view other statements by HKIoD on Policy Address and on Government Budget, please go to this site: https://www.hkiod.com/newsrelease.html.

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