香港董事學會
The Hong Kong Institute of Directors
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HKIoD's Response to the 2022-23 Budget

Note: The response first appeared in Chinese on 23 February 2022

"Pandemic first, Pave way for future"

The Hong Kong Institute of Directors made the following statement in response to the 2022-23 Government Budget.

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（23 February 2022, Hong Kong）In the view of HKIoD, the Budget delivered today puts the pandemic first but has not neglected the need to pave way for future. An all-rounding effort.

We said in our Budget recommendations this year that, in a matter of weeks, Hong Kong People fell from the high of almost able to resume traveller clearance to the low of re-tightening due to an Omicron spread. Arresting the spread must be the top priority now, but we need to have game plans for a recovery.

In the opening of his Speech, the Financial Secretary has words that mesh with our views. The FS puts forth expansionary fiscal initiatives focusing on four areas: to win the fight against the pandemic, to give relief to the denizens and small businesses, to support the economy for a recovery and to invest for future development. All in the right direction, we agree.

Rev up the fight
Mobilizing resources to fight the pandemic is the way to go. The FS made specific mention of rodent control, which is worth noting. In recent years the Institute has time and again warned about Hong Kong becoming a Hepatitis E town. To not tackle the problem quick could result in not one but two epidemics, which is not good.

Relief measures
The relief measures for individuals and for businesses meet expectations. The Budget had earmarked an additional $20 billion for potential anti-epidemic needs. Depending on the turn of events the Government could reallocate resources, even to add weight.

The FS announced a new tax deduction for domestic rental expense. Many have pushed for this deduction over the years, and it will now see implementation. We are for this tax measure.

The Government will have another round of consumption vouchers, up to $10000 over two installments. We believe the buying so stimulated will have a multiplier effect on the economy.

The Budget this year kept certain rates concessions but going forward there will be reforms to introduce a progressive scale for domestic properties to better comport with the affordability principle. Rates concession if to be granted again will also be more targeted, not universally across the board, so owners of multiple properties will not gain multiple benefits. We agree with the direction of reform.

Economic development, for whom and what purpose?
The Budget Speech picks issue with a flaw in the Hong Kong economy, that of an imbalance. In some sectors like financial services for instance, income figures look high but the spread

uneven. That the economy is lopsided has long been a problem. The FS said we must work to diversify the economy, seek high-quality growth, and make more jobs of choice available. An old tune it is, but true.

Funding and tax measures that the FS has in mind to support industry may not be particularly bright spots in the Budget, but they are on point. For tourism and convention/exhibition industries, the FS had some proposals, like funding for the first ever Performing Arts Market and to bring more conventions/exhibitions back to town when the time is right. We look forward to those.

Digital Economy Development Committee

The FS pointed out that digitalization is an inevitable trend as the economy seeks high-quality development. And for this reason, the FS will set up a "Digital Economy Development Committee" to accelerate the progress of digital economy. The FS added that digitalization can help businesses transform and reach new heights, offer more products and services at a better quality, and stimulate innovation. We agree.

The Hong Kong Institute of Directors, in collaboration with representative director institutes around the world, is leading an effort to assimilate useful guidance for directors to oversee digital transformation. We target a release in the next few months.

To devise strategy and to oversee the progress of digital transformation is one key task for company directors that is part and parcel of corporate governance, not just about technology. The proposed committee should consist of personnel who is able to speak on and vouch for the best board governance practices generally and in digital transformation.

To complement innovation and technology development

The FS has a number of measures to push forward R&D and to reinforce innovation and technology development. We are broadly in agreement with those measures. Efforts to strengthen the intellectual property regime, such as promoting the original patent grant system, facilitating the international registration of trademarks, and bringing the copyright regime up to date should also help foster a knowledge-based economy to complement I&T development.

The FS also mentioned that the SFC and the Exchange are reviewing the Main Board Listing Rules to accommodate capital needs of tech companies with potential but no track records as yet. We believe the Hong Kong financial market has reached certain maturity to allow the change. Investor education can certainly continue. To enhance the role and function of directors especially independent directors and to raise the corporate governance game of listed companies are also good means to protect investors.

Improve efficiency still

The Budget last year included an expenditure reduction programme to cut recurring expenditure by 1%. The FS declines another round of reduction this year but promises to examine carefully new initiatives that will incur recurrent expenditure to control spending. The FS is concerned about the cumulative, lasting effect of expenditure reduction that may work to disrupt departmental operations. Society demands for further improvements in efficiency to save more money are nonetheless valid. There is that reasonable expectation to want real value for money, not to see money squandered along with red tapes. Money savings can be spent wisely to get more bang for the buck.

People first
The FS spoke of economic development being a people-centric development, to improve livelihood, to let all people share the fruits of development. The Institute has also long held the view that economic growth remains our best friend when it comes to finding new monies to tackle livelihood issues.

Our wish is for the pandemic to be over soon, for the economy to turnaround, so we can fulfill the FS's aspirations, to seek progress in calmer seas and to gain strengths thereby to better cope with risks and uncertainties ahead. The wish is for a better future.

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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 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 services and establishing an influential voice in representing directors. With international perspectives and a multi-cultural environment, HKIoD conducts business in biliteracy and trilingualism. HKIoD is a member institute of the Global Network of Director Institutes, a worldwide alliance of 22 leading director institutes representing 150,000 directors.

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

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