

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 5 May 2011

**The Council continued to meet at
half-past Two o'clock**

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE ALBERT HO CHUN-YAN

IR DR THE HONOURABLE RAYMOND HO CHUNG-TAI, S.B.S., S.B.ST.J.,
J.P.

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE FRED LI WAH-MING, S.B.S., J.P.

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

THE HONOURABLE MRS SOPHIE LEUNG LAU YAU-FUN, G.B.S., J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG, G.B.S.

THE HONOURABLE WONG YUNG-KAN, S.B.S., J.P.

THE HONOURABLE LAU KONG-WAH, J.P.

THE HONOURABLE MIRIAM LAU KIN-YEE, G.B.S., J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE TIMOTHY FOK TSUN-TING, G.B.S., J.P.

THE HONOURABLE TAM YIU-CHUNG, G.B.S., J.P.

THE HONOURABLE ABRAHAM SHEK LAI-HIM, S.B.S., J.P.

THE HONOURABLE LI FUNG-YING, S.B.S., J.P.

THE HONOURABLE FREDERICK FUNG KIN-KEE, S.B.S., J.P.

THE HONOURABLE AUDREY EU YUET-MEE, S.C., J.P.

THE HONOURABLE VINCENT FANG KANG, S.B.S., J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

DR THE HONOURABLE JOSEPH LEE KOK-LONG, S.B.S., J.P.

THE HONOURABLE JEFFREY LAM KIN-FUNG, S.B.S., J.P.

THE HONOURABLE ANDREW LEUNG KWAN-YUEN, G.B.S., J.P.

THE HONOURABLE CHEUNG HOK-MING, G.B.S., J.P.

THE HONOURABLE WONG TING-KWONG, B.B.S., J.P.

THE HONOURABLE RONNY TONG KA-WAH, S.C.

THE HONOURABLE CHIM PUI-CHUNG

PROF THE HONOURABLE PATRICK LAU SAU-SHING, S.B.S., J.P.

THE HONOURABLE KAM NAI-WAI, M.H.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE STARRY LEE WAI-KING, J.P.

DR THE HONOURABLE LAM TAI-FAI, B.B.S., J.P.

THE HONOURABLE CHAN HAK-KAN

THE HONOURABLE PAUL CHAN MO-PO, M.H., J.P.

THE HONOURABLE CHAN KIN-POR, J.P.

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG SING-CHI

THE HONOURABLE WONG KWOK-KIN, B.B.S.

THE HONOURABLE IP WAI-MING, M.H.

THE HONOURABLE IP KWOK-HIM, G.B.S., J.P.

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.

DR THE HONOURABLE PAN PEY-CHYOU

THE HONOURABLE PAUL TSE WAI-CHUN

DR THE HONOURABLE SAMSON TAM WAI-HO, J.P.

THE HONOURABLE ALAN LEONG KAH-KIT, S.C.

THE HONOURABLE LEUNG KWOK-HUNG

THE HONOURABLE TANYA CHAN

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE WONG YUK-MAN

MEMBERS ABSENT:

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.M., G.B.S., J.P.

DR THE HONOURABLE MARGARET NG

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE LAU WONG-FAT, G.B.M., G.B.S., J.P.

THE HONOURABLE TOMMY CHEUNG YU-YAN, S.B.S., J.P.

DR THE HONOURABLE LEUNG KA-LAU

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE STEPHEN LAM SUI-LUNG, G.B.S., J.P.
SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

THE HONOURABLE EVA CHENG, J.P.
SECRETARY FOR TRANSPORT AND HOUSING

MR YAU SHING-MU, J.P.
UNDER SECRETARY FOR TRANSPORT AND HOUSING

CLERK IN ATTENDANCE:

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

PRESIDENT (in Cantonese): Council now resumes and continues with the motion debate on Enhancing the My Home Purchase Plan.

MEMBERS' MOTIONS

ENHANCING THE MY HOME PURCHASE PLAN

Continuation of debate on motion which was moved on 4 May 2011

PRESIDENT (in Cantonese): Does any other Member wish to speak?

MR CHEUNG KWOK-CHE (in Cantonese): President, the information of the Rating and Valuation Department shows that in February this year, the overall price index of private residential units reached 174.5 — a level that has surpassed the peak recorded in October 1997. Using a residential unit of some 400 sq ft as the basis for calculation, the average price per square foot has reached \$8,658 on Hong Kong Island and \$5,242 in the New Territories. That means a 400 sq ft unit, on average, carries a price tag of \$2 million to \$3.5 million. Given that property prices have surged to an unreasonable level, I do not understand why the Government can do nothing to address this, and allow the asset-price bubble to inflat continuously.

Let me use the above example to do some computations. For a 400 sq ft unit priced at \$3 million, one needs to pay \$900,000 just for the 30% down payment, and added to this the necessary fees and charges like legal fee, commission and stamp duty, one has to pay at least about \$1 million in the initial outlay. Taking colleagues in the social welfare sector as an example, if we use \$14,975 — the current entry salary for a newly recruited social worker — for the calculation and assumption that one manages to save \$5,000 every month, one would be able to afford the down payment after saving for at least 16 years. However, by that time, he may not have enough money to do so, as property prices may have already surged even higher.

Having saved enough money for the down payment, one's ability to service mortgages may have slightly been enhanced with possible adjustments in salary. Nonetheless, even if we use the current low interest rate of 2.5% for calculation,

if the mortgage has a repayment period of 25 years, the monthly instalment for a \$3 million flat will be close to \$10,000. Are property prices currently at a reasonable level? I believe this is something that goes without saying.

Moreover, since the implementation of the Lump Sum Grant Subvention System in the social welfare sector, the promotion and salary increment opportunities of some social workers are solely at the discretion of the respective institutions, without any guarantee. I know a social worker who has not received any salary increment over the last five years after his appointment, with his salary remaining at the level when he was first appointed. This is saddening.

Besides, let us we look at the small and medium flats for sale recently. Both those developed by the Urban Renewal Authority and private developers are marketed as luxury homes with prices that are unaffordable to the general public. This explains why the average price per square foot of small flats on Hong Kong Island can come close to \$9,000. For example, while the flats of the Queen's Cube in Wan Chai have a gross floor area of 400 sq ft to 600 sq ft, they are priced as luxury flats with the price per square foot as high as \$15,000.

President, given that property prices have now surged to an unreasonable level, the Government must arrest the continuous upsurge in property prices, curb the rising trend. Though the Government put forward the My Home Purchase Plan (MHPP) in the policy address announced last year, only 5 000 small and medium flats will come on stream. The attempt to curb property prices with MHPP flats is just like an attempt to put off a No. 5 alarm fire by using a hose for domestic use — it will not help in any way.

I have no objection to the MHPP put forward by the Government, but does the Government really consider that the MHPP can ease the existing problem of shortage in the supply of small and medium flats? Talking about enhancing the MHPP, I think the most direct way is to increase the number of MHPP flats from 5 000 to 50 000. Given the substantial increase in the supply of flats by then, it would be difficult for property prices to surge higher.

While the topic of today's debate is "Enhancing the My Home Purchase Plan", to satisfy people's housing needs, the Government should actually adopt a

multi-pronged approach, which may include resuming the construction of Home Ownership Scheme flats and expediting the construction of public rental housing flats. I think this is most important. Though the implementation of the two solutions will both take time, and some may comment that "distant water cannot put out a fire nearby", I think a massive supply of residential flats would at least give the public an opportunity to purchase or rent a flat at reasonable costs, so that they can build up a cozy home of their own. Social stability can be achieved only when people's housing needs are satisfied. If the SAR Government keeps turning a blind eye to people's hardship, which would lead to public grievances and low popularity of the Government, the person who once vowed that "I will get the job done" should honestly ask himself if he has really got the job done as of today.

A promotional video for civic education purpose produced by the Government emphasizes that we should have a sense of national identity. However, given that it is now so difficult for the ordinary masses of Hong Kong to build up a home of their own, how can they have a sense of belonging to the nation? The SAR Government not only fails to protect the people's basic right to housing, it also gives property developers a free rein to fleece the people. I can hardly imagine indeed how the people can foster a sense of belonging and national identity.

President, rice is the staple food of Hong Kong people. According to the Reserved Commodities Ordinance, the Government can implement control measures on rice to ensure the stable supply of rice and an adequate level of rice stock for local consumption for a reasonable period of time. This is also the same case with residential flats. Everyone needs a cozy home, which is a necessity of living. Therefore, in the light of the surging property prices, the Government has a responsibility to interfere and curb the upsurge, and should fulfil its due obligation of providing adequate residential flats for the public.

President, I so submit.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

MR LEUNG KWOK-HUNG (in Cantonese): President, a typical feature of this Council is that all speeches must be written on a theme determined by the teacher. As a matter of fact, the MHPP has turned into a laughing stock ever since its announcement last year because Donald TSANG, while introducing this plan to us, got mad when confronted by Mr Frederick FUNG and said that he had made tremendous efforts to fight for the sites earmarked for this Plan. It is a farce, of course, for making that statement. The Chief Executive has to make tremendous efforts to identify sites for the implementation of a plan? It seems that he has forgotten the most important element of the enclosure policy implemented in Hong Kong by the British Administration, that is, all land is Crown land.

If no land can be identified even with the intervention of the Chief Executive, it only proves that the problem lies not in land shortage, but in the fact that he dares not do so. The problem actually stems from the latter years of the TUNG Chee-hwa Administration, the days before Mr TUNG was suffering from "leg pain", when the Administration was held to ransom by the major developers. We all remember the nine measures put forward by Michael SUEN and announced before TUNG Chee-hwa was running for a second term. When TUNG Chee-hwa unprecedentedly secured more than 700 nominations in 2002 and nastily became uncontested in the election for a second term, those nominations actually have much to do with the real estate sector of Hong Kong.

TUNG Chee-hwa has implemented three major "benevolent measures", namely the reduction of civil service pay and outsourcing of public services on a large scale, the implementation of policies to rescue the property market and the introduction of legislation on Article 23 of the Basic Law. These are the three major magic instruments he has created. The rationale behind all is very simple. As far as Hong Kong is concerned, the authority of the Chief Executive will be overridden if developers join forces with bankers. Therefore, there is no alternative for the Chief Executive but to yield to the authority of the joint forces.

On the other hand, this Council is nothing but another rubber stamp. Members of the public express their views via Members of this Council, complaining about the surging property prices and claiming that they are way too high for them to realize home ownership. In their opinion, the rise in property prices is due to psychological factors brought about by the reduction in the provision of public housing flats and units of the Home Ownership Scheme

(HOS), and this has in turn given rise to certain social conflicts. Thus, we shout ourselves blue in the face for an increase in housing supply and eventually, the Chief Executive give us the runaround by introducing the MHPP.

President, the solution to housing problems in Hong Kong is actually very simple. First of all, if Hong Kong people have no aspiration for home ownership or lack the financial means to pay high rentals in an environment of expensive property prices, they should be provided with suitable accommodation and the Government should engage in public housing construction. This is a problem which any government should try to solve. Nevertheless, our Government has sacrificed the substance for the shadow and dealt with the problem of housing supply with a market-oriented approach. Ours is only an administration which yields to and fawn on the oligopoly of developers and bankers.

Secondly, with regard to the issue of accommodation, if anyone wishes to spend part of his monthly income on home ownership for long-term accommodation, this part of his monthly spending should be regarded as housing expenses. No matter how much of the wage earners' income would be allocated to housing expenses, for mortgage payment or payment of rentals, it should not exceed a certain percentage of their earnings. The policy objectives of the Government should, on the contrary, place more emphasis on the part of the disposable income of Hong Kong people after deduction of housing expenses and make it a driving force for local economy. For those engaging in the service and catering industries in Hong Kong, this is in particular an important factor that determines if a good customer base can be built up to support their business and yield profits.

In the event of a heavy financial burden of servicing the mortgage or paying rentals that greatly reduces the disposable income of Hong Kong people, all business will certainly languish, let alone the increase in operating costs in local economy under the policies of high land premium and high rentals. With money charging on every front, more and more people, even those high-salaried employees, can find no solution to their housing problems. Thus, it is nothing but an illusion for the Government to claim that with the provision of more flour (an increase in land supply), the price of bread can be kept from inflating (property prices can be curbed).

Should one day, a suitable amount become not available for members of the public to pay off the rentals for public housing or the mortgage for a HOS unit, it must be attributed to the exploitation by developers and bankers who are sucking our blood and eating alive our flesh and bones in the course of rent seeking. Therefore, no matter what we say on this issue, I think it will be futile. There is only one solution to the problem, that is, to launch a massive production of public housing with the aim of providing at least 50 000 public housing flats every year until all wage earners can find a suitable home for themselves. Thus, my conclusion is that with the MHPP, no one can rest assured.

MR LEE CHEUK-YAN (in Cantonese): President, as Members are aware, there have been a lot of discussions on minimum wage recently. My office received a phone call from a mother lately. She said her son is a fresh graduate working in the accountancy sector for a monthly salary of about \$11,000 to \$12,000. Her son complained that his wages are even lower than that of a cleaning worker. He has to work from 9 am to 10 pm daily, as if his salary is calculated by the number of hours worked, his hourly rate will be less than \$28. To start with, if he chooses to calculate his salary by an hourly rate, he should be entitled to an hourly rate of \$28 and he should be able to benefit from the minimum wage requirement. Nonetheless, the most ludicrous point is that a university graduate has to feel indignant for such a short fall, which is most saddening. Why has Hong Kong turned into a place where a university graduate has to put up with a working environment characterized by low wages and long working hours?

The mother then questioned that while the implementation of the minimum wage can certainly help elementary workers, why can it not offer any help to her son? What exactly is the assistance that she expects for her son? Home Ownership Scheme (HOS) flats. I wish to let the Secretaries and the Under Secretaries know that whenever I walk in the streets, I always meet some parents who complain that their children cannot afford home ownership, and they have no idea what they are supposed to do.

One parent told me that as a couple with a monthly income of \$100,000, they have no problem in buying flats, but they do not think their children see any prospect of buying a flat. This couple has a total monthly income of \$100,000, how many parents can reach this income level? Those of you who are senior

officials may be able to buy several flats for your children. But for most parents in general, their children have to work very hard just for earning a wage of some \$10,000, and they have no prospect of becoming independent of their family as they cannot afford buying a flat, so they must live with their parents.

Some argue that it is impossible for the Government to ensure home ownership for everyone. But try to imagine this, Home ownership is a ladder for upward mobility or a dream for young people. What is Hong Kong people's dream? Some say public rental housing (PRH) flats are good enough as a home, but the problem is these young people can neither meet the eligibility to apply for PRH nor realize the dream of home ownership. In this case, how can they get married? They cannot get married due to their inability to buy a flat. Some also suggest that they can rent a private residential flat, but this arrangement cannot give young people any sense of security. If a newly married young couple has to pay some \$10,000 monthly for renting a small flat, when will they find their sense of security in life? Hong Kong people's dream is about building up a sense of security in life, and that happens to come from property ownership, which is normally the dream of young university graduates.

However, the Government now clearly tells young people that their dream is shattered, as the Government will only launch the My Home Purchase Plan (MHPP). The Chinese name of the MHPP (meaning a home purchase plan that can make one feel secured) would arouse even stronger indignation among young people, how can they feel secured with such a plan? That plan is totally a product designed to prop up the market underpinned high property prices due to the hegemony of property developers. It can ensure that even if the Government subsidizes the public in home purchase, property prices will remain unaffected and still stand high. The Government will require the applicants to rent a flat first, and subsequently, half of the rent paid can be turned into the down payment for purchasing the flat at an expensive price. Who would feel most secured with the MHPP? The answer is the property developers who monopolize the property market, but not the young people. After all, this policy will not help the young people in need or unable to buy a flat. Property speculators would only turn it into a speculation project, but the young people with genuine needs will not get any assistance from it.

Why can the Government not hear the voices of these young people, not feel the worries of their parents, and not see the dilemma and anxiety that the

families from the younger generation are experiencing due to the uncertain in prospects? If HOS flats are available, they are at least not excessively priced as subsidies are provided, their prices are at least stabilized at 60% to 70% of market prices and available to young people with home ownership needs. If the Government can make HOS flats available to young people, first of all, they do not have to pay a huge sum for the down payment, and secondly, they are financially capable to afford the monthly instalment. If the down payment and monthly instalment are beyond their affordability, how can they buy a flat? For a \$5 million flat, one needs to pay \$1.5 million as the 30% down payment; and for a \$4 million flat, the down payment required will be \$1.2 million. How can young people find such a huge sum of money? Financially, they are totally incapable to do so. The problem right now is that speculators have monopolized the entire property market, such that actual buyers with genuine needs can only watch and sigh. I do not understand why the Government fails to hear those voices, insists on choosing what is bad and refuses to resume the construction of HOS flats.

In addition to this group of young university graduates with a mediocre income, there is also a group of low-income young people who is worse off and earning only \$8,000 to \$9,000 a month. They must apply for PRH, but young single applicants usually have to wait for 10-odd years, and that makes them feel hopeless. Both the young people in poverty and those earning a mediocre income feel hopeless, while only the children of the Political Assistants, Under Secretaries and senior officials can hope to buy their own homes. Is this fair? Why has our society come to this pass? Why can the Government not give everyone a fair opportunity to buy a flat or be allocated a PRH flat? Hence, we strongly urge the Government to resume the construction of HOS flats and build additional public rental housing flats. Thank you, President.

MR WONG YUK-MAN (in Cantonese): President, the executive-hegemonist SAR Government does evils in collusion with hegemonic real estate developers. Property prices in Hong Kong are surging so frenetically in the heat of speculation that they have become totally beyond the affordability of Hong Kong people. There has been a consensus in society (including the various political parties and groupings in this Council) that the Home Ownership Scheme (HOS) should be resumed and more public rental housing (PRH) flats built.

Nevertheless, our SAR Government has turned a deaf ear to the so-called consensus of society and even of the various parties and groupings in this Council. How difficult is it for the Government to resume the HOS and build more PRH flats? Under Secretary, given the abundant fiscal reserves of the Hong Kong Government at the moment, how difficult is that? It is easy for the Government to prove it does not do evils in collusion with the hegemonic real estate developers and serves Hong Kong people genuinely. There has been a consensus in society that the My Home Purchase Plan (MHPP) is unnecessary. How difficult is it to build HOS flats and then build more PRH flats with a view to shortening the Waiting List? We cannot see how difficult it is, except that you are afraid of those real estate developers, right? Whose world is it today? This is the world of real estate developers, okay? This is the only reason. Can you give me some other reasons? Do not say that we are still here to make remarks that are devoid of any substance, but this is the reality.

You have to show it to me. The simple request of resuming the HOS and building more PRH flats has been made over and over again, right? Does the DAB not agree? Does the Liberal Party not agree? Does the Democratic Party not agree? This is the consensus of society at large, but you do not work on it.

We would not like to recount history here, reminiscing how great the PRH policy of the British-Hong Kong era was, but as a matter of fact, it was really great. You should carry forward the cause of your predecessors and follow their rules for the continued betterment of your housing policy, such that people from the lower class can live and work in peace and contentment, right? This is what the due responsibility of the Government. What reason is there The HOS was halted then in order to save the property market. As the property market has now recovered, where reason is there for the continued moratorium on the HOS? Can you tell me? This is unreasonable, no matter how you argue I do not know how Under Secretary YAU Shing-mu are going to respond later on Under Secretary YAU Shing-mu, are you a flat owner? You are now earning some \$200,000 a month. When you were a reporter or a deputy chief editor, it must be tough to buy a flat, but you still managed to do so, right? You and I joined the trade at more or less the same time. I joined the news media sector earlier than you, right? We toiled and saved money bit by bit. In our times back then, we might afford a small flat, right? You must be worry-free now. You are an Under Secretary making some \$200,000 a month. Irrespective of your mortgage package, the monthly mortgage payment should not amount to

\$200,000 or so. But in those days, people worked hard, lived within their means and managed to save some money for buying a flat. What can be bought nowadays? A Wong Tai Sin property is fetching \$10,000 per square foot, and a property project in Kowloon City is also asking for some \$10,000 per square foot. How can one afford them?

The real estate hegemony and the property market bubble have dealt a great blow to the economy of Hong Kong, but there is no fix for it. As the latest figures indicate, what accounts for the largest share of government revenue? The majority of the \$200 billion or so government revenue comes from land sales and stamp duty. So strictly speaking, the Government and real estate developers are the largest landlords and developers. It is the real estate developers and the SAR Government who are exploiting the broad masses of the working class in Hong Kong, as real estate developers constitute a main source of revenue of the SAR Government. Can you deny this? The Government can at least use tax revenue to fund public expenditure as a reward to us, but you reward us reluctantly. It is available in some ways, but not the others, right? You said the situation overseas is different: their tax rates are high, whereas ours are low; and many people are not required to pay any tax. Secretary, the tax that we are paying is actually hefty. Are the high rentals not a form of tax? The high land-price policy of the Government has brought about operational difficulties for small and medium enterprises. Is it not a form of tax? Individual restaurants are now folding one after another not because of minimum wage, but those who oppose minimum wage have used this as an excuse to point out that minimum wage is the reason for the closure of so many restaurants. The reality is certainly not so, but that high rentals coupled with imported inflation and minimum wage have led to business closures. How can minimum wage alone lead to such closures? After all, the locomotive of the whole economy is real estate, right? Frankly speaking, can a way be found to rescue this type of economy?

Property developers or real estate developers are accumulating wealth continuously. Our economy has been persistently growing since the reunification, but the number of poor people has also been increasing. What a strange phenomenon is it, right?

Recently, I have been to Canada, which is to adjust the minimum wage to some CAN\$10. Given the current exchange rate of 1:8.2 between Canadian and Hong Kong dollars, their minimum wage is \$80 or so. President, is the average

income of Canadians 2.5 times higher than that of Hong Kong people? In other words, based on this ratio, the per capita Gross Domestic Product (GDP) of Canada must at least be US\$80,000. Our current per capita GDP is US\$30,000 or so, right? Our minimum wage is \$28 per hour, while that of our counterpart is some \$80, which is more than two times higher than ours. What a shame. I can tell Members that the poor population amounts to 1.27 million, right? If you do not build more PRH flats, how can you create prospects of upward mobility for these poor people or the young people from poor families?

Mr CHEUNG Hok-ming is very sincere in proposing the motion of "Enhancing the My Home Purchase Plan" for our discussion today. The so-called MHPP currently proposed by the Government is really a mess, so for the sake of harmony, it is hoped that improvement can be made. However, it turns a deaf ear to the idea, much less for our further request for it to build more PRH flats and resume the HOS. Even if it was willing to resume the HOS, it might attach some other conditions, right? It will not resume the scheme arbitrarily by building 50 000 flats a year, lest LI Ka-shing will kill you. Members must all realize that it is impossible to be so, right?

Many things have to be worked out step by step, and they also hinge on the market as well as the actual needs of Hong Kong people. Food, clothing, housing and transportation are all expensive now. For food and clothing, there is inflation, right? Transportation fees are also expensive. For housing, how can it be affordable now? You suggest that renting a flat is an alternative if flats are unaffordable. But buddy, what can one rent given such hefty flat rentals?

MR ALAN LEONG (in Cantonese): President, there is one year left in the term of office of Chief Executive Donald TSANG. During his term of office, the voice from the public calling for the resumption of the HOS has been growing stronger and stronger. Many Honourable colleagues of this Council also pointed out earlier that this is the consensus of the majority of the political parties in this Council, but regrettably, Donald TSANG sticks to his own course and stands firm against resuming the HOS. I believe this is going to be one of the blemishes to be faulted throughout his political career.

President, from the policy address to the budget, the SAR Government have been rolling out measures consecutively with a view to cooling down the property market. Yet, the property market is still heating up. These measures have obviously failed to deliver. That members of the public are priced out of property ownership has been worsening persistently, but the SAR Government prefers spending some \$40 billion of public money on a cash handout, refusing all the same to make proper use of resources for the betterment of this major livelihood issue through resuming the HOS practically. One cannot help but shake the head in lament.

President, despite the government announcement on the launch of the My Home Purchase Plan (MHPP), society in general is enormously doubtful of the effectiveness of the plan. In the course of debating this motion earlier, we also heard many questions. On behalf of some members of the public, I hope to recount to the Secretary today some of the queries I have come across over the past few months. I hope all the more that the Donald TSANG Administration can mend the fold after a sheep is lost through expediting the decision and announcement for the immediate resumption of the HOS and the revision of the MHPP with a view to stabilizing the confidence of people.

President, today I would like to highlight several points only. First, what I would specifically point out is the eligibility for the MHPP. As far as we know, the monthly income cap for singleton applicants is \$23,000 with an asset limit of \$300,000, while that for household applicants is \$39,000 with an asset limit of \$600,000. President, based on the estimates made by different parties in the community, about 140 000 people will meet the above criteria for application. Yet, we have been given to understand that the authorities intend to build and launch about 5 000 to 6 000 MHPP flats in the first batch. For those 140 000 people, these 5 000 to 6 000 flats are of course like a drop in the ocean that will not be able to cope with such a huge demand. President, if the eligibility of white form applicants of the then HOS is also factored into such consideration, we would have a better idea of how serious the shortfall is.

As for the eligibility of white form applicants for the HOS, the income limit for household applicants is set at \$27,000. This means that households who used to be white form applicants under the HOS will also have to vie with those under the current MHPP (whose income limit has been raised to \$39,000) for these 5 000 to 6 000 flats, as the HOS is non-existent now. Hence, this all

the more highlights the inability of the MHPP to ease the minds of this group of people. They can only continue to live as "shell-less snails", pay high flat rentals and rent rooms from owners of sub-divided units.

President, the other aspect I would like to point out is that the then HOS was an integral part of the ladder of home ownership which connected all the way up to private housing and down to public rental housing (PRH), offering prospects for green form applicants to improve their living environment, and thus increasing the turnover of PRH flats. Prof LAU Kwok-yu, an academic dedicated to research on housing in Hong Kong, has quantified this phenomenon and ascertained the existence of a ladder effect. Prof LAU pointed out that in the 16 years between April 1981 and March 1997, the Hong Kong Housing Authority recovered a total of 96 700 PRH flats through the sale of HOS flats to PRH households, averaging nearly 9 000 flats a year. Between April 1997 and March 2004, the number of HOS flats sold to PRH households was on a continuous decline. What effect did it bring about at the same time? The result was that only 45 400 PRH flats were recovered, averaging merely about 6 500 flats a year. The figure was 27% less than the average number of flats recovered over the previous 16 years. This shows that the MHPP obviously cannot replace the HOS in effecting the same outcome.

For all these reasons, President, I really hope that Donald TSANG would no longer persist on a wrong course and cease being stubborn. It is hoped he can really sense the urgency of the public by resuming the HOS. I so submit.

MR ALBERT CHAN (in Cantonese): President, in a capitalist society, the housing problem keeps popping up and repeating. In 1870, ENGELS arrived at a conclusion on the discussion on the housing problem faced by Germany's proletariat or the working class. He said that in order to solve the housing problem, the capitalistic production system had to be terminated or abolished or even scrapped because basically, for the housing problem in general, when houses became commodities, the power to control would fall into the hands of the capitalists. When the power to control was monopolized, the masses and the vulnerable would definitely become the victims of controlled commercial housing.

Generally speaking, in Hong Kong, the situation of commodities being monopolized is deteriorating. A few days ago, it was pointed out that even the

supply of pork is manipulated by several groups which have irrationally jacked up the price sharply. The same applies to petrol. Food, clothing, housing, transportation and public transport are all manipulated by consortia. The MTRCL is one of the consortia for the MTR; buses are also manipulated by two to three consortia; as shopping malls are manipulated by several big developers, people are living in dire straits. Before The Link REIT came into being, housing supply by the Housing Authority served as a buffer, providing shopping malls with a public service concept in the public housing area to ease some pressure. However, with the divestment of shopping malls in the public housing estates by the Government and the establishment of The Link REIT, the problem has deteriorated further.

It is evident to all that under the operation of the entire government, especially after Donald TSANG came to office, problems continue to deteriorate. Since Donald TSANG blindly follows the principle of free market and is obsessed with it, he comes up with entirely different analyses of many problems faced by society and the people. I cannot say that he is apathetic, but his analyses are most terrifying. He believes in free market, somewhat similar to social Darwinism, that is, natural selection, survival of the fittest. He contends that so long as the pie can be made larger, under the trickle-down effect, everyone will be benefited. However, many academics have pointed out, and there have been numerous discussions in this Chamber in which many have said that this obsession is certainly a distorted and erroneous perception. We can see that the poor population is on the increase, the disparity between the rich and the poor is exacerbating, the income for the vulnerable and the low-income people is decreasing, and in comparison with 1997, the income of many trades is lower than that of a decade ago. Thus, we can see that although the pie is increasing in size, only those who manipulate and monopolize the market will stand to benefit.

Housing is a very serious problem. Regarding the implementation of policies, if the Government does not change this mindset, and if Donald TSANG remains in his dream, it will be to no avail even if we keep on talking to Eva CHENG a hundred times, 10 000 times, because the control rests with Donald TSANG. Therefore, if we want to see housing reform, it may be better for LEUNG Chun-ying to become the Chief Executive than Henry TANG because LEUNG Chun-ying will at least respond to people's demand for housing. No matter whether he is posturing or putting on a show, it will still be better than Donald TSANG and Henry TANG. As the Chief Secretary for Administration, Henry TANG is in fact responsible for the housing policy, and Eva CHENG's

policy in this regard comes under his ambit. Thus, when housing supply is in serious shortage, Eva CHENG is not the only person responsible, for Henry TANG is also a culprit. Of course, the buck also stops with Donald TSANG.

Therefore, we can see that given the existing ruling echelon of the entire government, if it is allowed to continue into the next term, I can see no improvement in respect of housing supply. With Henry TANG's mindset, since he has not done anything in his capacity as the Chief Secretary for Administration, when he becomes the Chief Executive, I do not think he will improve in any way. Right now, the housing problem is worsening, and this is absolutely related to the mindset and values of the present Administration. Therefore, in order to analyse this problem, we may have to turn to the analysis by ENGELS 140 years ago. It is casting pearls before swine to discuss the general public's housing demand with the nobles and the privileged because their eyes are set on housing as a commodity that will be manipulated by the capitalists; and when the capitalists become the manipulators, they will only care about residual value, related interests and investment return, rather than the need and demand of the people. President, I urge Hong Kong people to take a clear look at this Government which lacks public acceptability, public representation and which tilts towards the capitalists and large consortia. Under the condition where commodities are monopolized by large consortia, it totally lacks the mindset or notion to improve, and Hong Kong's general public will continue to be victimized.

As regards the My Home Purchase Plan (MHPP), President, it in fact is just a piece of "window-dressing" ornament of the Government. Since the public has this demand, the Government somehow rolls out this plan under such tremendous political pressure. In fact, the MHPP offers no assistance in helping meet the actual need of any class or sector of the public.

I would also like to take this opportunity to take to task certain political parties which are duplicitous, and which ignore the need of the people. Many political parties express here that housing demand is of enormous import, but once in the districts and if the Government suggests building public housing in certain areas, many political parties, including those from the democratic camp, will raise objection, saying some views will be blocked, or the initiative is snatching land for recreational purposes. Individual political parties in this Chamber, especially Members of the Democratic Party who are sitting behind me and who are not in attendance now, also object to building public housing in

certain districts. For this reason, such duplicitous and despicable acts must be exposed, revealed and denounced. Being duplicitous is the true colour of the Democratic Party.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, Mr CHEUNG Hok-ming, you may now speak on the five amendments. The speaking time limit is five minutes.

MR CHEUNG HOK-MING (in Cantonese): President, today, a total of five Members have moved amendments to my motion.

The DAB has all along requested the authorities to formulate a long-term, stable and clear housing policy so as to comprehensively plan for land use and integrate land reserve, and to look in detail the housing supply and property policy, as well as consider a housing subsidy for the lower class, so that public and private housing can see stable development in the market.

In this connection, I believe Mr Frederick FUNG's amendment is very close to the thinking of the DAB, thus we support Mr Frederick FUNG's amendment.

As for Mr Ronny TONG's proposal in his amendment in respect of single persons waiting for public rental housing (PRH) to "set the time by which they may be allocated public rental housing flats at the latest", although I agree that the authorities should allocate flats to waitlisted applicants as soon as possible this kind of rigid stipulation Since the time required for the allocation of PRH is affected by various factors, if a "broadbrush" approach is adopted for setting the latest time for a PRH flat to be allocated, we think it may not be compatible with the actual situation. Therefore, we have reservation about this.

Regarding Mr LEE Wing-tat's suggestion in the amendment "to offer home mortgage guarantees" under the My Home Purchase Plan (MHPP), we support it.

Mr WONG Kwok-hing raised in particular a proposal for consideration by the authorities, that is, to "formulate the measure of post-sale premium payment" for the MHPP. I consider this a very good proposal and he specifically proposed that when the flats are put up for sale, the Government should buy them back for allocation to more people who are in need. Mr WONG also proposed that the number of flats should be increased, to which we have no particular objection.

As regards Mr Paul CHAN's proposal that those buying flats under the MHPP should be Hong Kong citizens (that is, only Hong Kong citizens are eligible for such purchases), we also think that it is worth our discussion and support.

President, I so submit.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese):
President, I thank Members for offering so many precious views on enhancing the My Home purchase Plan (MHPP), and for providing views on other measures under the housing policy of the authorities. I now give a general response.

Some Members think that the MHPP will not help in curbing property prices. In this connection, I have to reiterate that the MHPP is not a measure to curb property prices. I understand that the core concern of Members is the housing problem of the public, and this exactly is the work of the Government. There are different rungs on the housing ladder — public rental housing (PRH), secondary Home Ownership Scheme (HOS) flats and private housing to suit different people's needs. The MHPP is a new rung that we introduce into the housing echelon. It is a home purchase subsidy scheme aimed at assisting those members of the public who want to own their own homes and have the ability to pay mortgages in the long run, by providing them with a flexible home purchase channel in addition to purchasing secondary HOS units and private housing units. Therefore, from the macroscopic view, the MHPP is only one of the rungs in the entire housing ladder. We should not project the attention to the overall property market on this single scheme, nor should we regard it as a tool for regulating the property market.

I appreciate Members' concern for the development of the property market. As I mentioned yesterday in my opening speech, in stabilizing the property

market, the Government has already done a lot of work in four directions. They include the fundamental initiatives of increasing land supply, suppressing property speculation, enhancing transparency of property transactions and preventing excessive credit expansion, in order to ensure the healthy and steady development of the property market. Among all these, the measure of imposing special stamp duty to suppress short-term speculative activities has already seen results. According to the information from the Inland Revenue Department, there was a monthly average of 310 confirmor transactions of residential units in 2010, while the monthly average in the first quarter this year is only 145 such transactions. In terms of increasing land supply, the Government has already set a target that in the coming 10 years, there will be an annual supply of land sufficient for the construction of 20 000 private housing units on average, as well as an annual supply of land sufficient for the construction of 15 000 PRH units on average.

From the discussion yesterday, we can see that many Members hope that the Government can provide more MHPP flats. Some Members also suggested that we should study earmarking more suitable land for the construction of MHPP flats. I am very glad to see the positive response from Members towards this Plan. As I said in my opening speech yesterday, we have already earmarked sites in Tsing Yi, Sha Tin, Diamond Hill, Tai Po, Tuen Mun and other areas for a total of some 5 000 flats to be built under the MHPP. We will identify more suitable sites for the MHPP. However, presently, we do not intend to allocate sites on the Application List for this purpose.

Quite a number of Members have mentioned that the authorities should expedite the procedures of the MHPP and increase the quantity of flats to be launched in the first year so that more qualified people can be benefitted. Same as all other residential development projects, all projects under the MHPP are subject to such planning procedures as finalizing the land lease conditions, designing the development projects, and applying for modification of planned use when necessary. On the other hand, the construction of housing units also takes time. Depending on the scale of development, generally speaking, a residential development project takes three to five years to complete. However, we undertake that we will expedite the preparatory work by all means so that the various projects under the MHPP can be launched as early as possible.

Take the first MHPP project at Tsing Luk Street as an example, the progress of that project is satisfactory, and the building plan of the Hong Kong Housing Society (HKHS) has already been approved by the Buildings Department. Besides, the HKHS is now discussing with the Lands Department the lease modification. The authorities will, together with the HKHS, conduct district consultation on the above lease modifications pertaining to the site at Tsing Luk Street. In the second half of this year, the HKHS will call for tenders for the project. The HKHS is now in active discussion with the Transport and Housing Bureau on the implementation of the concrete arrangements of the Tsing Luk Street project, including how to receive pre-letting applications as soon as possible and the related renting arrangements. Therefore, referring to the word "phobia" said by the President, as mentioned by Mr LEE Wing-tat yesterday, although Mr LEE Wing-tat is not present at the moment, he actually does not need to be afraid or scared, as our progress is satisfactory.

A Member has suggested offering home mortgage guarantees to the MHPP participants so that applicants can obtain 90% bank mortgage. We have communicated with the Hong Kong Mortgage Corporation Limited (HKMCL). The existing mortgage insurance plans of the HKMCL are also applicable to the mortgage arrangements of the MHPP property. If the participants meet the requirements of the mortgage insurance plans, they can apply for mortgage insurance and try to obtain 90% bank mortgage when purchasing the property. In addition, if the MHPP participants purchase the property within two years after the tenancy has ended, they can receive a Purchase Subsidy equivalent to half of the net rental they have paid during the tenancy period, and it may help meet part of the down payment. Some Members are concerned about whether the amount of Purchase Subsidy is enough. In this aspect, most of them will assume that before participating in the MHPP, the participants do not have any savings at all, or even will not accumulate savings during the five-year tenancy period. I do not agree with this point, as this assumption does not tally with the actual situation. I have to emphasize that the subsidy equivalent to half of the net rental that we would provide alone may not be enough to cover the whole down payment. Besides, home ownership is a long-term commitment. The tenants have to try their best to save up at the same time before they can meet the down payment and the expenses incidental to home purchase in future.

A Member has suggested stipulating in the Conditions of Grant that only Hong Kong citizens are permitted to purchase the MHPP flats, and that such flats can only be sold to Hong Kong citizens. The concept of "rent-and-buy" and the application criteria of the MHPP have, to a certain extent, targeted the Plan at those who have plans of home purchase for their own use in the long run. We will draw up application criteria for applicants of renting MHPP flats. They will also be subject to a means test in order to ensure that they are within the income and asset limits under the Plan. Besides, same as the other subsidized housing schemes, our objective is to cater for the needs of Hong Kong people. The tenants of the MHPP will be the main purchasers of the MHPP flats. In regard to the suggestion of a Member that the flats can only be resold to Hong Kong citizens, we have reservations. Since one of the characteristics of the MHPP is that purchasers have to purchase the flats at market price, the flats like other general residential units in the private market will not be subject to any resale restrictions. The situation will be same as those HOS flats for which premium has already been paid. We have to be very careful in considering imposing resale restrictions. At present, we think that we have no grounds to impose resale restrictions on those who purchase the flats at market price. The advantage of being free of resale restrictions is that owners will have more opportunities to resell the flats and moving up in the property market in future. Besides, a Member has suggested offering discounts on flat prices. We think that we also have to consider this carefully. Because if we offer discounts, we have to impose resale restrictions, and this will contradict our original objective of designing the MHPP, that participants can be given more flexibility and be encouraged to move up in the market.

Quite a number of Members hope that we can introduce the concept of "rent-or-buy" under the MHPP. As I said during a meeting of the Housing Panel sometime ago, we will continue to listen to the views of Members and the public towards this Plan, and are prepared to explore whether there is room to improve the MHPP so that it can be better implemented.

Not a few Members mentioned the issue of HOS. The wish behind these aspirations is that members of the public can have more affordable home purchase opportunities. As I said just now, in considering the housing problem of the public, we have to take a holistic view and handle it comprehensively. For this reason, the authorities have already announced a series of short-

medium- and long-term measures to deal with the property market. In four directions, we will ensure the healthy and steady development of the property market. In terms of land supply, in order to better satisfy the earnest demand from the community for residential and commercial sites, the Financial Secretary has established in the budget the system of making use of the Application List and the government-initiated land sale arrangement. Under this two-pronged approach, we will be more proactive in putting up for sale some residential sites. In May and June this year, we will put up for sale five residential sites by open auction, three of which come from the existing sites on the Application List.

As a matter of fact, we cannot regard any subsidized home purchase scheme as a means to curb property prices. In 1996 and 1997, we put up for sale a total of about 46 000 housing units. However, during this period of time, the price level of private housing still rose by over 50%. Since the sale of surplus HOS units in 2007, we have already sold 17 000 units so far. Of course, during this period of time, the property prices have still been on the rise.

In the long run, the Government will increase land supply in response to market demand. This is how we address the problem at the fundamentals. The Government has set a target of land supply in the coming 10 years — an annual provision of land for the construction of about 20 000 private residential units on average. It is estimated that about 35 000 units can be provided by the private residential land supply in 2011-2012.

Apart from primary private residential units, secondary private residential market is also a main source of flat supply. To new home purchasers, the latter can particularly provide flats of different price levels for them to choose.

A Member has suggested the Government to relaunch the Tenants Purchase Scheme (TPS). The TPS was launched in early 1998 to assist the Government in attaining the policy target of home ownership by 70% of the households in the entire territory within 10 years as set in the 1997 Policy Address. After a comprehensive review of the housing policy in 2002 by the Government, this target with such a home ownership rate ceased to exist. Hence, there are also no grounds for continued implementation of the TPS.

In fact, since the launching of the TPS, some very complicated problems emerged in the management of housing estates. Besides, the recovery of PRH flats is the main source for provision of flats to the Waiting List applicants. If we sell PRH flats to the tenants, this will affect the supply of PRH flats, as well as the target of three-year waiting time for PRH allocation set by the Government and the Hong Kong Housing Authority (HA). Therefore, at the present stage, the Government will not consider relaunching the TPS.

As regards increasing the supply of PRH flats, the objective of the Government and the HA is to provide subsidized rental housing to low-income families who cannot afford private rental accommodation, under the target of maintaining the average waiting time at around three years.

The HA has in place the Public Housing Construction Programme (PHCP) which will be extended yearly within a period of five years. Appropriate adjustments will be made to the PHCP in accordance with the latest situation of supply and demand. For the five-year period from 2011-2012 to 2015-2016, the number of newly built PRH flats is estimated to be 75 000, with an average of about 15 000 flats per year. Together with the existing PRH flats envisaged to be recovered each year, the HA estimates that this level of housing construction will make it possible to maintain the target concerning the average waiting time for general applicants for PRH allocation at around three years. At present, the average waiting time for general applicants for PRH allocation is around two years. Since the income and asset limits were increased on 1 April 2011, an extra of about 25 000 households became eligible to apply for PRH flats. We will closely monitor the possible pressure on the demand for PRH caused by the relaxed limits, and extend the PHCP year on year. We will continue to review the situation and make appropriate adjustments in accordance with the latest situation of supply and demand.

President, yesterday, a Member said that the MHPP was still not widely known by the public, and that the authorities should further promote this new "brand". Dr Priscilla LEUNG is now not present in the Chamber. She used handbags in her analogy. Perhaps I am also a lady and thus know a little about the brands of handbags. We think that this is a good suggestion. In finalizing more of the details concerning the project, we will definitely step up the promotion work so as to deepen the public's understanding of the MHPP.

On the whole, the Government will provide choices of different levels of housing to people with different degrees of affordability. The first level is the PRH for low-income families who cannot afford private rental accommodation. Above the PRH, there are secondary HOS flats under the HOS secondary market in which HOS flat owners can sell their flats to green form applicants without having to pay the premium. Besides, there are lower-priced housing for the general public in the private property market, including the HOS flats offered in the open market and the housing units under the MHPP. In the private property market, the primary and secondary markets will provide housing units of different market prices to satisfy the various needs of people who have the means.

President, the Government will continue to ensure a steady and sufficient land supply, so as to provide PRH and private housing units. The Government and the HA will continue to earnestly maintain the pledge concerning the average waiting time for general applicants for PRH allocation at around three years. The Government will keep on monitoring the development of the property market and adopt appropriate measures when necessary to ensure the steady and healthy development of the property market. The Government will also expedite the preparatory work of various projects under the MHPP by all means, so that the projects concerned can commence as early as possible. Thank you, President.

PRESIDENT (in Cantonese): Mr Frederick FUNG, you may now move your amendment to the motion.

MR FREDERICK FUNG (in Cantonese): President, I move that Mr CHEUNG Hok-ming's motion be amended.

Mr Frederick FUNG moved the following amendment: (Translation)

"To add ", although" after "That"; and to delete "yet the community generally considers that there are still inadequacies in MHPP; in this connection, this Council urges the Government" after "people to 'rent-and-buy'," and substitute with "in the meantime private residential

property prices have soared to a level which exceeds the peak in 1997, and the middle and lower classes still face housing difficulties, reflecting that MHPP is unable to satisfy people's aspiration for acquiring their homes and even fails to resolve the long-term housing demand; in this connection, targeting at the overall housing problem and the inadequacies of MHPP, this Council urges the Government to formulate a stable, sustainable and long-term housing policy, accept the mainstream public opinion as well as the almost unanimous proposal of this Council".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Frederick FUNG to Mr CHEUNG Hok-ming's motion, be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr Ronny TONG, as Mr Frederick FUNG's amendment has been passed, you may now move your revised amendment.

MR RONNY TONG (in Cantonese): President, I move that Mr CHEUNG Hok-ming's motion, as amended by Mr Frederick FUNG, be further amended by my revised amendment.

President, the wording of my amendment is relatively simple. The only difference lies in the revisions I made to the preamble of the original motion along the lines of Mr Frederick FUNG's amendment, but both amendments serve the same purpose. The central idea of my amendment is contained in the newly added and self-explanatory paragraphs (f) and (g), and I already elaborated the intention behind such revisions in my speech yesterday.

I hope that the amendment will be supported by Honourable colleagues.

Mr Ronny TONG moved the following further amendment to the motion as amended by Mr Frederick FUNG: (Translation)

"To delete "enhancement" after "relevant"; to delete "and" after "supply of flats;"; and to add "; (f) to appropriately increase the annual supply of public rental housing flats, so as to truly implement the pledge of three-year waiting time for public rental housing allocation; review the public rental housing allocation system for single persons, and set the time by which they may be allocated public rental housing flats at the latest; and (g) to re-launch the construction plan of Home Ownership Scheme flats, so as to also enable persons with low and middle income to have opportunities of acquiring their homes" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Ronny TONG's amendment to Mr CHEUNG Hok-ming's motion as amended by Mr Frederick FUNG, be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr IP Kwok-him rose to claim a division.

PRESIDENT (in Cantonese): Mr IP Kwok-him has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr CHIM Pui-chung, Mr Paul CHAN, Mr CHAN Kin-por, Mr CHEUNG Kwok-che, Mr IP Wai-ming and Dr Samson TAM voted for the amendment.

Dr Raymond HO and Mr Abraham SHEK voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Ms Miriam LAU, Mr Vincent FANG, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Mr IP Kwok-him and Mr Paul TSE abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mr Fred LI, Ms Emily LAU, Mr Frederick FUNG, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr Ronny TONG, Mr

KAM Nai-wai, Ms Cyd HO, Mr WONG Kwok-kin, Mrs Regina IP, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

Mr CHAN Kam-lam, Mr TAM Yiu-chung, Mr CHEUNG Hok-ming, Mr CHAN Hak-kan, Mr Albert CHAN and Mr WONG Yuk-man abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 18 were present, seven were in favour of the amendment, two against it and nine abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 14 were in favour of the amendment and six abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

MS MIRIAM LAU (in Cantonese): President, I move that in the event of further divisions being claimed in respect of the motion on "Enhancing the My Home Purchase Plan" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms Miriam LAU be passed.

PRESIDENT (in Cantonese): Does any Member wish to speak?

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

I order that in the event of further divisions being claimed in respect of the motion on "Enhancing the My Home Purchase Plan" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): Mr LEE Wing-tat, as Mr Frederick FUNG's amendment has been passed, you may now move your revised amendment.

MR LEE WING-TAT (in Cantonese): President, I move that Mr CHEUNG Hok-ming's motion be further amended by my revised amendment.

Mr LEE Wing-tat moved the following further amendment to the motion as amended by Mr Frederick FUNG: (Translation)

"To add ", re-launch the Tenants Purchase Scheme" after "public rental housing flats"; to add "(c) to offer home mortgage guarantees, enabling applicants to obtain 90% bank mortgage and purchase a flat with only 10% down payment;" after "speculation;"; to delete the original "(c)" and substitute with "(d)"; to delete the original "(d)" and substitute with "(e)"; and to delete the original "(e)" and substitute with "(f)"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr LEE Wing-tat's amendment to Mr CHEUNG Hok-ming's motion as amended by Mr Frederick FUNG be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, as the amendments by Mr Frederick FUNG and Mr LEE Wing-tat have been passed, you may now move your revised amendment.

MR WONG KWOK-HING (in Cantonese): President, I beg to move my amendment to the motion.

Mr WONG Kwok-hing moved the following further amendment to the motion as amended by Mr Frederick FUNG and Mr LEE Wing-tat:
(Translation)

"and to add ";(g) make available 3 000 to 5 000 flats annually after the first year; and (h) to make reference to the effective systems of green forms and white forms under Home Ownership Scheme, enabling both public

rental housing tenants and private housing residents to have opportunities of making applications" immediately before the full stop".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr WONG Kwok-hing's amendment to Mr CHEUNG Hok-ming's motion as amended by Mr Frederick FUNG and Mr LEE Wing-tat, be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

RESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr Paul CHAN, as the amendments by Mr Frederick FUNG, Mr LEE Wing-tat and Mr WONG Kwok-hing have been passed, you may now move your revised amendment.

MR PAUL CHAN (in Cantonese): President, I move that Mr CHEUNG Hok-ming's motion, as amended by Mr Frederick FUNG, Mr LEE Wing-tat and WONG Kwok-hing, be further amended by my revised amendment.

Mr Paul CHAN moved the following further amendment to the motion as amended by Mr Frederick FUNG, Mr LEE Wing-tat and Mr WONG Kwok-hing: (Translation)

"and to add ";(i) to stipulate in the Conditions of Sale in the future that only Hong Kong citizens are permitted to purchase MHPP flats, and that such flats can only be resold to Hong Kong citizens" immediately before the full stop".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Paul CHAN's amendment to Mr CHEUNG Hok-ming's motion as amended by Mr Frederick FUNG, Mr LEE Wing-tat and Mr WONG Kwok-hing, be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

RESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr CHEUNG Hok-ming, you may now reply and you have 40 second.

MR CHEUNG HOK-MING (in Cantonese): President, I wish to thank some 20 Honourable colleagues who have spoken. All the speakers have a consensus, that is, the Government should resume the HOS, build more PRH, and optimize the MHPP. As to the MHPP, Members particularly mentioned that the Government should allocate more land and increase the relevant resources so as to boost the number of flats under the MHPP. Unfortunately, the Secretary responded that no land would be earmarked from the Application List for implementing the MHPP. I believe Honourable colleagues are very disappointed. To allocate land from the Application List for public housing purpose is nothing new, so I hope the Government will consider (*The buzzer sounded*)

PRESIDENT (in Cantonese): Mr CHEUNG Hok-ming, speaking time is up.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHEUNG Hok-ming, as amended by Mr Frederick FUNG, Mr LEE Wing-tat, Mr WONG Kwok-hing and Mr Paul CHAN, be passed.

PRESIDENT (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

RESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion as amended passed.

PRESIDENT (in Cantonese): Second motion: Promoting regional economic integration between Guangdong and Hong Kong.

Members who wish to speak in the debate on the motion will please press the 'Request to speak' button.

I now call upon Mr Andrew LEUNG to speak and move the motion.

PROMOTING REGIONAL ECONOMIC INTEGRATION BETWEEN GUANGDONG AND HONG KONG

MR ANDREW LEUNG (in Cantonese): President, I move the motion as set out on the Agenda.

About a month ago, we discussed our country's Twelfth Five-Year Plan (12th FYP) in this Chamber. However, many Members focused on how to use the reserves to help the disadvantaged groups. As for the economic integration between Guangdong and Hong Kong in the context of China's economic transformation and regional economic integration, it seems that our discussion was not deep enough.

The 12th FYP is quite important to Hong Kong and an opportunity that we cannot afford to lose. In view of the rapid development of the Mainland and neighbouring areas, Hong Kong must formulate clear strategies for the future expeditiously and make early planning in order to catch up with the regional development and not to fall behind. I emphasize the integration between Guangdong and Hong Kong because we have the ability to take part in promoting the development of Guangdong and Hong Kong. Over the past 30 years, Hong Kong businessmen have actively invested in Guangdong, turning the Pearl River Delta (PRD) Region into the most complete production chain in the world. Today, the two regions have joined hands in actively promoting the development in the next five years, while turning to developing high-value-added industries, technological innovation and a service economy. Only with active participation can our young talents apply their skills in the future, and only with active engagement will we find a place in the Thirteenth Five-Year Plan.

Economic co-operation between Guangdong and Hong Kong under the 12th FYP will help the manufacturing industry in the PRD Region expand into the PRD Region market, so that the export-oriented economy will be transformed into an integrated one that is both export- and domestically-oriented. Many people resist the idea of integration with the Mainland, thinking that it means being assimilated by the Mainland. However, we must bear in mind that the economic integration between Guangdong and Hong Kong we are talking about means that both regions will each mobilize their strengths and complement each other under "one country, two systems" and the Framework Agreement on Hong Kong/Guangdong Co-operation. While maintaining their strengths, they will also try to achieve the goal of expanding the market. This is similar to the integration between the markets of the European Union and North America.

An expert on the economies of both regions, Prof FENG Xiaoyun from the College of Economics, Jinan University, pointed out that economic integration between Guangdong and Hong Kong can be achieved in terms of unifying the testing and certification of manufactured goods from the PRD Region, in terms of entry into the service market and in terms of market regulations. The Mainland's Deputy Minister of Industry and Information Technology HAN Jitao also proposed "Five Transformations and Four Upgrades". The "Five Transformations" mean moving towards innovation, a green and low-carbon economy, intelligent manufacturing, servitization and transformation into a domestically-oriented and consumption-led economy. The "Four Upgrades" include: (1) upgrading product technology and building brand names; (2) developing internationally competitive large enterprises and helping small and medium enterprises to develop into high-value-added and innovative businesses; (3) co-ordinated new planning that meets regional environmental needs and the needs of the market; and (4) developing strategic new industries. It is likely that Mainland industries will develop in these directions in future. Hong Kong should seriously consider how to exploit its strengths in the manufacturing industry, finance, commerce and trade, professional services as well as other service industries.

The SAR Government has only two "strategies" to support the upgrading and restructuring of industries, by relying on TURN (Transform, Upgrade and Relocate for a New Horizon) provided by the Hong Kong Productivity Council (HKPC) and the Cleaner Production Partnership Programme. However, with the

conclusion of TURN in 2009, the Government should expeditiously implement phase two, that is, TURN II. The HKPC is now replicating the services of TURN in Mainland cities, such as Dongguan, Zhuhai and Huizhou. With a funding of ¥64.9 million from the municipal governments of the three cities, the HKPC provides technical support, on-site assessment and demonstration projects. Given financial support, Hong Kong businesses can now upgrade and restructure more quickly and easily. The Government should work with Mainland provinces and cities in supporting Hong Kong businesses in upgrading and restructuring, and in launching demonstration projects.

The five-year Cleaner Production Partnership Programme is now in its third year. In view of new kinds of upgrading and restructuring, we must increase the funding to support Hong Kong businesses in the Mainland. Waste reduction, noise reduction, recycling of materials and other areas related to cleaner production should also be covered by the funding, so that Hong Kong enterprises will get the support they need.

In view of future upgrading and restructuring, factories will have a greater need to import machinery from Hong Kong. The Administration should review the Inland Revenue Ordinance and amend its guidelines, so that enterprises engaged in processing with supplied and imported materials can apply for depreciation allowances for machinery using the same procedures as before.

Faced with the prospect of transformation into a domestically-oriented and consumption-led economy, we should intensify co-operation with cities in the PRD Region to open up the domestic Mainland market. In last year's policy debate, Economic Synergy already suggested that the Government should set up a fund to promote "Hong Kong Create" brands and raise the profile of fashionable Hong Kong brands and products, in order to promote the Hong Kong lifestyle and consolidate our position as trend setter. We should help the brands to establish effective sales channels in the Mainland and introduce Hong Kong's service economy to Mainland enterprises. Together with the cities of the PRD Region, we should launch promotional campaigns and hold meetings to invite investments in the first-, second- and third-tier Mainland cities to attract the attention of more consumers and enterprises, and thus create more promotional opportunities and achieve better results.

One of the main focuses of the 12th FYP is energy conservation and environmental protection. Guangdong Province has laid down a green and low-carbon economy as an objective for the development of the PRD Region economy in the next decade. Guangdong enterprises will have a high demand for various energy saving services. In addition, the Guangdong Provincial Government has invested approximately ¥200 billion in environmentally-friendly infrastructural projects, further expanding the market of energy conservation and environmental protection. The majority of companies in Hong Kong's green industry have acquired the technologies of energy saving, greenhouse gas reduction and pollution prevention. With our excellent business environment, protection of intellectual property rights and diverse financial services, we have the ability to provide financing for Mainland projects based on environmental protection technology. Through long-term partnership with foreign enterprises, Hong Kong has gained considerable experience in improving and upgrading technologies, which would meet the practical needs of the Guangdong market. The Government should draw up policies accordingly to turn Hong Kong into a hub for the application, improvement and transfer of green technologies, in order to give impetus to the low-carbon economy.

The industrial sector understands that industrial investment is very important for scientific research and innovative projects. That is why for years we have demanded triple tax deduction for research and development (R&D) and design expenditure and the development of small-scale technology industries, such as high-value-added industries producing medical equipment or developing new materials. In this way, the development of private R&D centres can be pushed, to stimulate scientific research and innovation in the PRD Region, which will in turn induce active engagement in the development of new products. This way, we can support enterprises in commercializing the results of scientific research using the production chain in the PRD Region.

In terms of tourism, there is also much room for co-operation between Guangdong, Hong Kong and Macao. As Asia's world city, Hong Kong has always enjoyed the reputation of being a "shopper's paradise". It is also a popular tourist destination for Mainland travellers. With the opening of the first berth of the Kai Tak cruise terminal in 2013, Hong Kong is set to develop into a prime cruise hub, which will help to promote quality tourism. Hong Kong should play a leading role in Guangdong-Hong Kong-Macao tourism by

co-ordinating their tourism infrastructure and spearheading the development of regional tourism.

Over the past few years, the service industry was able to enter the Mainland market thanks to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). However, while the big doors are open, the small doors are shut. Last year, the Central Government approved the plan for Hong Kong and Shenzhen to jointly develop Qianhai New District into a "Hong Kong/Guangdong modern service industry innovation and co-operation exemplary zone". Guangdong has also indicated that Hong Kong's talents engaged in service industries and scientific research will have more opportunities to work in the Mainland to support the development of high-end service sectors, the manufacturing industries and technologies, and help the rapid growth of the Mainland high-value-added economy. With Qianhai as the testing ground, we can improve the business environment in terms of the regional protection regulations and non-transparent approval procedures, relax the restrictions on investment and expand the sphere accessible by the Hong Kong service industries, with a view to enabling them to radiate into the entire PRD Region.

The other day, it was reported that Shenzhen will carry out planning on Qianhai in innovative ways, with Hong Kong people participating in its management and supervision. I hope this will create more favourable conditions for Hong Kong's service industry to expand north. While actively participating in the development of Qianhai, Hong Kong people should change their mindset and recognize the difference between Qianhai and Hong Kong, as well as what the future mode of co-operation should be. They should also take into account the uniqueness of Qianhai and the workability, practicability and sustainability of bringing Hong Kong professional services to the Mainland.

In future, the Shenzhen/Hong Kong co-operation zone will import a large number of international talents, and Hong Kong's talents will be the vanguard going to Qianhai. In terms of regional development, to ensure that the two economies can form a seamless whole, efforts should be made on the policies on the exchange of talents and technology. To this end, both sides should formulate forward-looking policies and introduce tax provisions for cross-border workers, in order to make it easy for residents of both cities to travel back and forth.

Finally, I wish to say something about the training of skilled workers. Last May, I told Members in the Chamber about how I had worked with Shenzhen in developing vocational education in my capacity as Chairman of the Vocational Training Council. I am not going to repeat it. At present, many tertiary education institutions in Hong Kong are actively collaborating with Mainland higher education institutions. I hope the Shenzhen and Hong Kong Governments can take advantage of the advanced vocational training in Hong Kong that meets international standards, and integrate it with the large market in Shenzhen and even Guangdong. The aim is to establish a regional vocational training system using international vocational qualifications and certificates as standards, with compatible courses/curricula, mutually recognized certificates and shared teaching staff. This will enable more local education and vocational training institutions to expand into Guangdong Province and work with the training institutions there to introduce more diversified systems and training modes, in order to train quality personnel for the future economic development of both sides.

President, later on, Mr Jeffrey LAM will speak on the strengthening of bilateral financial services, and introduction of tax provisions for cross-border workers in Guangdong and Hong Kong mentioned in my motion. President, I so submit.

Mr Andrew LEUNG moved the following motion: (Translation)

"That our country's Twelfth Five-Year Plan proposes to promote joint regional economic development, intensify exchanges and co-operation between the Mainland and Hong Kong, continue to materialize the Framework Agreement on Hong Kong/Guangdong Co-operation, and implement the Mainland and Hong Kong Closer Economic Partnership Arrangement and its seven Supplements; with the construction and completion of cross-boundary transport networks between the two places, the SAR Government must adopt a forward-looking attitude and formulate policies and measures which are conducive to promoting the development of the two places; in this connection, this Council urges the SAR Government:

- (a) to assist Hong Kong businessmen with manufacturing businesses in the Pearl River Delta Region in upgrading and restructuring;

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- (b) to set up funds for promoting Hong Kong brand names, products and professional services on the Mainland market, so as to assist local small and medium enterprises in expanding into the Mainland domestic market;
 - (c) to provide support to local enterprises for developing small-scale technology industries and commercializing the achievements of their scientific research;
 - (d) to formulate appropriate policies to help Hong Kong businessmen in the Mainland enhance their innovation and scientific research capability, and assist enterprises in undertaking technological innovation and developing green economy in Guangdong Province;
 - (e) to jointly develop Qianhai New District in Shenzhen into a 'Hong Kong/Guangdong modern service industry innovation and co-operation exemplary zone';
 - (f) to strengthen financial co-operation and innovation by fostering on all fronts intensive co-operation between Guangdong and Hong Kong in financial markets, financial institutions and financial businesses, etc.;
 - (g) to jointly promote the formulation of an exchange mechanism for developing the logistics industry, with a view to establishing an international logistics centre and building a modern economic circulation sphere;
 - (h) to expand the scope of Guangdong-Hong Kong-Macao tourism co-operation; and
 - (i) to introduce tax provisions for cross-border workers and encourage Hong Kong's talents who are engaged in service industries as well as scientific and technological research to work in the Mainland, so as to support the development of high-end service sectors, manufacturing industries and technologies in the Mainland,

thereby enabling Hong Kong's professional services to radiate into the entire Guangdong Province, assisting in the rapid development of the high value-added Mainland economy, and developing Guangdong and Hong Kong into a world-class urban agglomeration to grasp the new opportunities of the regional economy."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Andrew LEUNG be passed.

PRESIDENT (in Cantonese): Four Members will move amendments to this motion. This Council will now proceed to a joint debate on the motion and the four amendments.

I will call upon Dr Samson TAM to speak first, to be followed by Mr WONG Kwok-hing, Ms Miriam LAU and Mr CHAN Kam-lam respectively; but no amendments are to be moved at this stage.

DR SAMSON TAM (in Cantonese): President, I am grateful to Mr Andrew LEUNG for moving the motion on "promoting regional economic integration between Guangdong and Hong Kong". After reading this motion carefully, I think that its content has definitely included many important directions for the future economic development of Hong Kong. I have done some thinking on it and will be making some amendments.

Since it is such an important and excellent direction, why are we still not doing it right? How come we did not do it right? If we have done it right, we Members would not have to bring this up again. I can think of three obstacles that have prevented the economic co-operation in the Guangdong-Hong Kong region from developing as fast or as well as the industries or the community expected.

I wish to tell the Secretary that the first obstacle is the bureaucratic structure. Under "one country, two systems", the bureaucratic structures of Guangdong and Hong Kong may not be compatible. Hong Kong's representative is Secretary Stephen LAM. He communicates with the Mainland

on behalf of Hong Kong, so he is also in charge of the Hong Kong Economic and Trade Office in Guangdong. However, a lot of work needs to be done to bring about good co-operation between Guangdong and Hong Kong. It requires the efforts of different Bureau Directors in such areas as technology, innovative industries and the Internet which I am most concerned about. Actually, Hong Kong and Guangdong Province have two different systems, and their structures are not necessarily compatible. That is why I think the first obstacle is the difference between their bureaucratic structures.

The second obstacle concerns the integration of enterprises. After the reunification, Hong Kong enterprises are still treated as foreign enterprises in the Mainland. We have tried to help Hong Kong enterprises get national treatment in Guangdong Province. However, this has so far been unsuccessful. We often use the words "big doors and small doors" to describe Guangdong. At this stage, Hong Kong enterprises are still not granted national treatment.

The third obstacle relates to information technology in the two places. Hong Kong has many different trade associations and organizations, while the trade associations and organizations in the Mainland have government involvement. I think there is still room for improvement in terms of information technology and information flow. Due to the three obstacles mentioned above, I believe much improvement still needs to be made in promoting regional economic integration between Guangdong and Hong Kong.

Just now Mr Andrew LEUNG mentioned the numerous advantages of economic integration between Guangdong and Hong Kong. It will ensure Hong Kong's development, allowing it to open up a larger market and expand the scope of co-operation. I will not repeat them here. However, I wish to cite some good examples of co-operation between Guangdong and Hong Kong, and talk about the present development of the industries. Next, I will name some industries that can benefit from co-operation between Guangdong and Hong Kong in future.

All along, Hong Kong thinks that it has done very well in the financial sector and trade. Many examples show that we are doing great in these two areas due to co-operation between Guangdong and Hong Kong. Take HSBC in the financial sector as an example. It has been moving its back-up services to Guangdong, in order to have adequate manpower for low value-added or more

basic jobs. With the relocation of these service industries to Guangdong, will Hong Kong lose a lot of jobs? Actually this is not necessarily the case. A few years ago, HSBC opened a data centre in Tseung Kwan O and hired several thousand staff. This data centre has continued to grow over the past few years. Now, not only does it serve Hong Kong's financial sector, that is, HSBC's local or Mainland businesses, it also serves 22 other countries in the world, bringing the operation of their financial services to Hong Kong. Thus, even though some industries have seen the relocation of their jobs due to co-operation with Guangdong, we have also attracted many high value-added jobs from overseas. This has certainly set a good example for the Guangdong-Hong Kong co-operation.

In the area of trade, we have seen that the world-renowned Li & Fung has established a strong network in terms of co-operation between Guangdong and Hong Kong or between the Mainland and Hong Kong, so that both now have a world-class supply chain. The service industries or import and export trade in Hong Kong certainly have to depend on co-operation with the Mainland market in order to add value and expand outwards.

The question of whether or not we need to develop new industries in future has all along been a case for the Government. Two years ago, the Government proposed to develop six industries where Hong Kong enjoys clear advantages. I think this is very important. Only if new industries emerge can we stimulate new economic development in Hong Kong. Thus, I hope the Secretary can strengthen these industries through co-operation between Guangdong and Hong Kong, so that we can bring our strengths into play.

What industries can or should Hong Kong develop? I think there is a very important condition. If an industry is well-developed in Hong Kong, while Guangdong Province cannot surpass us, it would be Hong Kong's advantage. If we do not enjoy this advantage, it would be wishful thinking on our part to want to co-operate with the Mainland or Guangdong Province. Without such advantage, you will only achieve half the result with twice the effort.

I have been thinking about what kind of industries can prosper in Hong Kong but not necessarily in Guangdong Province. Yesterday, an international consultancy (BCG, that is, the Boston Consulting Group) published a study on the Internet on behalf of Google on the GDP share of the Internet economy in

different countries of the world. The study found that among European countries and America, it was 2% to 3% on average, and 7% in some countries. In Hong Kong, it was 5.9%. This means that compared with Europe, the Internet contributed to quite a high percentage of GDP in Hong Kong. Why does the Internet contribute such a large share to Hong Kong's GDP? And why did the study suggest that Hong Kong should develop the relevant economy? It is because Hong Kong has one thing that is very special, "one country, two systems". The laws, information security, information protection and information flow in Hong Kong are different from the situation on the Mainland. That is why when many international enterprises plan to establish data centres or develop the Internet economy, Hong Kong is one of the best places for them to consider putting resources into. I believe that social network marketing, cloud computing, the Internet of Things and innovative content are certainly Hong Kong's strengths. I very much hope that Hong Kong can further develop these strengths through regional co-operation.

I will cite one example. We often talk about Internet marketing in Hong Kong now. Hong Kong's strength lies in the fact that we can log onto Facebook or LinkedIn any time and use it for global Internet marketing. But it is not so easy to log onto Facebook or LinkedIn in the Mainland. That is why Hong Kong should make good use of this platform and attract enterprises in Guangdong Province to Hong Kong to use the Internet and open up the international market. I believe Hong Kong has huge potential in this area.

Therefore, with the amendment I move today, I wish to point out that while promoting co-operation between Guangdong and Hong Kong, we must not one-sidedly export our enterprises or talents to Guangdong Province. I hope there will be mutual exchange and we should try to attract enterprises in Guangdong Province to develop international trade on the Hong Kong platform. In the Internet economy that I mentioned just now or in digital media, Hong Kong certainly enjoys more advantages and conveniences. I hope the Secretary will agree that Hong Kong is in a good position to develop these new industries, and that he will have more talks with Guangdong Province to give Hong Kong a bigger role.

In the final analysis, we hope the co-operation between Hong Kong and Guangdong Province will produce results. The result we hope for is more jobs, capital and enterprises coming to Hong Kong. This will have a positive impact

on Hong Kong's revenue and bring more opportunities to the new generation. I implore Members to support my amendment.

MR WONG KWOK-HING (in Cantonese): President, the Hong Kong Federation of Trade Unions (FTU) has always advocated an economic policy guided by employment. In accordance with this view of the FTU, I wish to further amend Mr Andrew LEUNG's motion.

Mr LEUNG's motion proposes to promote economic integration between Guangdong and Hong Kong, and further implement the 12th FYP. All this will be beneficial to Hong Kong's development. The motion proposed by him is quite good. However, we think there are three areas in which the Government's policies and measures are lagging behind. First, the Government's policy in terms of attracting capital and technology to Hong Kong to promote the development of innovative technology is lagging behind; second, it is lagging behind in terms of attracting capital and talents; and third, for Hong Kong people who have set up businesses or work in the Mainland, the present policies are not only lagging behind, they have also turned them into second-class Hong Kong citizens.

I have expressed in the amendment my views on the first two of the three areas mentioned above. As for the third area, I will make additional remarks later. I hope the Secretary will pay attention to the issues raised by us and respond positively.

At the meeting of the Legislative Council Panel on Commerce and Industry (the Panel) on 19 April, the Government submitted a paper on the development of industrial estates. From its content, we learned that the Government has no intention of establishing a fourth industrial estate so as to attract more overseas capital and introduce the relevant technologies into Hong Kong. I am quite disappointed by this.

Since the 1970s, Hong Kong has established three industrial estates, namely the Tai Po Industrial Estate, the Tseung Kwan O Industrial Estate and the Yuen Long Industrial Estate. Some 98% of land in those industrial estates has been granted and no new land will be allocated. That is why there is a need for the Administration to develop a fourth industrial estate.

Unfortunately, in the paper submitted to the Panel, the Government cited four reasons to reject this suggestion. Due to the time constraints, I will not quote them here. The content of paragraphs 14(a), 14(b), 14(c) and 14(d) is all negative, indicating that the Administration has no wish to build a fourth industrial estate. Upon my further enquiries, the Government finally agreed to reconsider it. That is why I hope the Secretary can study this suggestion with the various Policy Bureaux. With such a passive attitude, how can the Government attract new capital and technology, especially that from the Mainland, to Hong Kong? How can we create more venture business and employment opportunities in Hong Kong? This is the first point.

The second point is about attracting Mainland capital and talents. Last October, the Government raised the threshold of the Capital Investment Entrant Scheme (CIES) to \$10 million, and suspended "real estate" as a class of permissible investment asset. We think this is a good amendment and a sound amendment.

Nevertheless, the Government has only dealt with part of the problem. Why does the Government not make amendments based on overseas experience to attract those willing to invest and stimulate business start-up to come to Hong Kong, so as to create more job opportunities? That is why I propose in the amendment that the Government should draw on the experience of advanced countries like Australia, Singapore or the United States. In Singapore, for example, applicants only need to invest S\$2.5 million (approximately HK\$15.75 million) in an approved fund and employ two Singaporean residents to become immigrant investors. In the United States, applicants only need to invest about US\$500,000 (approximately \$3.9 million), while in Australia, applicants can become immigrant investors by employing three or more full-time staff.

These examples show that the Government can improve and perfect its policies only if it is willing to amend them Is our Government really lagging behind in this respect? I hope the Secretary can consider the relevant questions seriously. Since the threshold of the CIES was raised to \$10 million last October, we should attract more capital investors to invest here in order to generate and create more job opportunities. This is the second point I wish to make.

Third, I wish to point out that since we propose to promote co-operation between Guangdong and Hong Kong, and encourage investors, professionals and even workers to start a new life in the Mainland According to statistics, 122 000 people went to the Mainland in 1995. That number increased to 237 000 by March 2005. In other words, more than 200 000 Hong Kong people were living or working in the Mainland at the time. However, between July and September 2008, the number dropped to 218 000 (it is changing all the time), meaning that some 20 000 Hong Kong people returned from the Mainland to Hong Kong. But did the Government actively formulate any policies so that they have nothing to worry about after returning to Hong Kong? The answer is no. This way, how does the Government intend to encourage people to go to the Mainland and take part in the 12th FYP to start a new life and find new employment?

I wish to cite an example here to illustrate why I say the Government's policy is lagging behind. One obvious example showing that those who work or set up businesses in the Mainland have become second-class citizens is the recent controversy over Mainland women coming to Hong Kong to give birth.

According to government statistics, from 2002 to 2010, there were 50 223 cases in which the husbands were permanent Hong Kong residents and their Mainland wives were classified as ineligible persons. Since these "Mainland pregnant women" were not eligible, they had to pay the fee of \$39,000 if they wanted to give birth at a Hong Kong hospital. This amounts to discrimination against them, and it is an unreasonable restriction. Why should they be turned into second-class citizens? While encouraging people to do business or work in the Mainland, should we forbid them from falling in love, getting married and rearing children? If not, why does the Government want to charge this "punitive" fee after they got married in the Mainland and when their pregnant wives want to give birth in Hong Kong? Moreover, the children are born in Hong Kong and they enjoy Hong Kong resident status. Hence, I think the Government should review this policy.

I wish to reiterate that in these cases, the husbands are Hong Kong residents and the wives are Mainland residents. They are not both Mainland residents. The Government still has not formulated any policy to deal with this situation. I have raised this issue in a relevant Legislative Council subcommittee. I think the Government should actively follow it up.

There is another situation. Why did I say they have become second-class citizens and second-class Hong Kong people? According to a survey conducted by a relevant organization on 116 street sleepers, quite a number of them returned to Hong Kong after their business failures or dismissals in the Mainland. But they could not apply for Comprehensive Social Security Assistance because they had not yet stayed in Hong Kong for 309 days. This eligibility criterion is totally unreasonable, since they are 100% permanent Hong Kong residents. Why can the Government's social welfare policy not cater to these cases? That is why I sincerely hope that the Government can solve the current problem of its policies lagging behind in the three areas that I have pointed out — I have only cited two concrete examples to illustrate my point.

Thank you, President.

MS MIRIAM LAU (in Cantonese): President, for the first time, the national 12th FYP has dealt with the strategic positioning and role of the Hong Kong and Macao region in a dedicated chapter. One of the main points that must not be neglected is deepening the economic co-operation between the Mainland and Hong Kong and Macao. The 12th FYP not only supports closer economic ties between the two sides, but also suggests many concrete directions for the economic integration between Guangdong and Hong Kong, with a view to jointly developing a world-class metropolitan cluster with enhanced competitiveness.

If Hong Kong wants to properly grasp this golden opportunity, it must draw up corresponding detailed planning. The amendment I propose today precisely urges the SAR Government to make complementary planning in terms of software and hardware. In particular, it must support the large number of small and medium enterprises (SMEs) in seizing the infinite business opportunities in Guangdong Province and the PRD market.

First, since the Mainland is developing high-value-added and low-pollution modes of production, Hong Kong's enterprises have an urgent need to upgrade and add value in order to have a share of the pie of the Mainland market. The Liberal Party has urged the Government to set up a fund for the upgrading and restructuring of SMEs to provide loans to local enterprises, including SMEs based in Hong Kong that have set up factories in the Mainland, for software

development such as technological application, business consultancy and brand building. Under the fund, the Government should provide an 80% loan guarantee so that each enterprise can draw a loan of approximately \$500,000 to help them upgrade and restructure. To capitalize on the Mainland's policy to expand domestic demand as set out in the 12th FYP, the SAR Government should also assist Hong Kong businesses in the Mainland in selling their products in the domestic market. For instance, it could discuss with the Mainland authorities to allow more regions to follow the example of Dongguan, so that Hong Kong businesses can sell first and pay tax later, in order to assist Hong Kong businesses that are prevented from selling their products domestically because they lack the funds to pay tax. In addition, the Government can help local SMEs promote their quality products and services in the Mainland by setting up funds or incentive schemes.

To facilitate SMEs' expansion into the Mainland market, the SAR Government should also actively discuss with the Mainland on further rectifying the situation whereby "Big doors are open, but small doors are shut" under CEPA. This includes further relaxing the threshold of market access, such as lowering the minimum turnover requirement for individual industries, simplifying application procedures for setting up businesses, as well as opening up more industries to allow Hong Kong enterprises of sole proprietorship to operate, such as securities and futures and market research. At the same time, we should strengthen mutual recognition of professional qualifications, so that the right professional talents in Hong Kong can work or set up businesses in the Mainland.

President, just now I mentioned that Hong Kong enterprises need to upgrade and add value as well. Innovative scientific research will help old and new industries in Hong Kong to upgrade and add value. When Premier Wen Jiabao talked about Hong Kong's role under the 12th FYP earlier, he mentioned in particular that Hong Kong should develop small-scale innovative technology industries according to its actual circumstances.

However, Hong Kong has been lagging behind others in its investment in scientific research. Last year, Singapore's expenditure on scientific research accounted for 1.56% of its GDP, and it will be increased to 3.5% over the next five years. In Hong Kong, this expenditure only accounted for 0.6% of its GDP. There is a lot of catching up to do. That is why the Liberal party has urged the

Government to make good use of the market and provide the industry with tax deduction at two to three times of the expenditure on scientific research. It should encourage SMEs to develop small-scale technology industries and commercialize the results of scientific research. Unfortunately, the suggestion fell on deaf ears and the Government did not take it up.

On the other hand, since scientific research and the green economy require greater capital input and have a longer and more uncertain payback period than average, it is difficult to find suitable financing channels. The Hong Kong Mortgage Corporation Limited now runs the SME Financing Guarantee Scheme, providing guarantee coverage at a maximum of 70% of the loans to enterprises. While it is almost the same as the 80% amount of guarantee under the Government's SME Loan Guarantee Scheme, there is a guarantee fee that ranges from 0.5% to 2.5% of the loan amount. This is still a burden for SMEs with limited capital. I hope the Government can waive or reduce the guarantee fee I mentioned just now.

President, to promote economic integration between Guangdong and Hong Kong, the two-way flow of people and goods is extremely important. In terms of hardware, we should ensure the co-ordinated development of cross-boundary infrastructure connecting both sides. Recently, the Hong Kong-Zhuhai-Macao Bridge project has been subjected to a legal challenge due to the environmental impact assessment (EIA) reports and will as a result be delayed. It is estimated that the overall costs will increase by 20% to 30%. There is concern whether the bridge can be completed in 2016 as scheduled for connection with the Mainland transport networks.

This incident also highlights the fact that many large-scale projects require patch-up measures. Last month, the MTR Corporation Limited hastily withdrew the three EIA reports on the Shatin to Central Link submitted to the Environmental Protection Department. The project will not commence until additional information has been submitted. This raises concern about the possibility of such projects as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Liantang/Heung Yuen Wai Boundary Control Point project also being affected. Thus, not only does the Government need to strive to ensure that the Hong Kong-Zhuhai-Macao Bridge project can be completed on schedule, it must also review the preparations for cross-boundary infrastructure. It should

draw a lesson from this and take early measures to remedy the situation suitably, so that the development opportunities will not be further delayed.

In terms of software, convenient clearance is also very important. At present, the number of cross-boundary travellers is nearly 500 000 daily. However, only the western Shenzhen Bay Port has the co-location of immigration and customs facilities, while the customs clearance procedures for the Guangzhou-Shenzhen-Hong Kong Express Rail Link are still to be determined. The Liberal Party hopes that the governments of both places can actively discuss this matter and establish additional control points with the co-location of immigration and customs facilities, so as to facilitate the smooth two-way flows of people and goods.

As regards Qianhai New District in Shenzhen which will be developed into a "Hong Kong/Guangdong modern service industry innovation and co-operation exemplary zone", the Government should strive for the adoption of more early and pilot implementation policies. Apart from policies on financial co-operation and innovation, it should also strive for more concessions for Hong Kong SMEs and professionals, such as tax concessions, including exemption from business tax.

In terms of strengthening bilateral co-operation in logistics, I have long ago suggested that the Hong Kong Government should not only help the local logistics industry to develop in the high-value-added direction, such as electronic logistics, but should also create a regional electronic logistics system. Unfortunately, the Hong Kong Government has always dragged its feet over the years. In terms of regulation, exchange and the information sharing mechanism, the development of the regional logistics system is still far from satisfactory. In my view, not only does the SAR Government need to assist the local industry in upgrading, it should also communicate and work with the Mainland to formulate a mutually recognized exchange mechanism to enhance logistics management and the efficiency of automatic monitoring, in order for Hong Kong to develop into a "high value-added inventory management and regional distribution hub".

Finally, I want to talk about the problem of "double taxation" that exists both in Hong Kong and the Mainland. At present, Hong Kong people who have stayed for a total of more than 183 days on the Mainland will have to pay Mainland income tax for their entire income. However, if they have stayed in

Hong Kong for more than 60 days, they must also pay a proportionate amount of Hong Kong income tax. As a result, part of their income is doubly taxed. That is why the SAR Government should step up discussions with the Mainland and expeditiously introduce regulations for cross-border workers, so that they only need to pay tax according to residency or the place they live. Even if this cannot be done for the time being, the non-working days (such as weekends and Sundays) of Hong Kong people staying in the Mainland should be deducted from the 183 taxable days, to avoid situations where Hong Kong people working in the Mainland might be doubly taxed because they spend their leisure time there.

President, I so submit.

MR CHAN KAM-LAM (in Cantonese): President, regarding the Outline of the Twelfth Five-Year Plan (the Outline), after the previous round of discussions, a consensus has been forged in the Legislative Council. What we have to explore now is the question of "what to do and how to do it". I thank Mr Andrew LEUNG for moving this motion that gives us an opportunity to explore how to raise the level of co-operation between Guangdong and Hong Kong. This is the most important step in implementing the Outline. As the saying goes, "The most difficult thing in doing anything is to make a start.". If the first step is taken properly, the implementation will be easier in the future.

The DAB supports the motion moved by Mr Andrew LEUNG and the amendments proposed by three other Members. My amendment only seeks to put forward some views and proposals on the basis of Mr Andrew LEUNG's original motion for the Government's reference.

In the process of the Mainland's reform and opening up, a popular saying on the lips of even children and women throughout the country is, "If you want to get rich, build a road first". If Hong Kong wants to enhance economic co-operation with the Mainland, it also has to do a proper job in the construction of cross-boundary transport infrastructure and ensure that large-scale cross-boundary infrastructure such as the Hong Kong-Zhuhai-Macao Bridge, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Shenzhen Western Express Line, and so on, can be completed as scheduled. However, from the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, through the Action Plan for

the Bay Area of the Pearl River Estuary to the Hong Kong-Zhuhai-Macao Bridge, instances of malicious impediment being caused have occurred repeatedly. Some people racked their brains to find faults with and pose difficulties to them. Put simply, they just want to prevent Hong Kong from having better infrastructure to connect itself to the Mainland and they just want to hamper economic development between Hong Kong and the Mainland, so as to limit Hong Kong's economic development and prevent Hong Kong people from having better working and living conditions.

President, these people in society are acting stealthily and only dare do things on the sly without admitting to them. They always like to cite some specious arguments, for example, by talking about justice, the protection of the harbour, environmental protection, and so on, on a daily basis. Frankly speaking, when it comes to environmental protection, I believe no one will raise any objection. However, a balance also has to be struck between environmental protection and economic and infrastructural development. One cannot simply trot out the banner of environmental protection and impede the development of society. Hong Kong needs to step up its co-operation with the Mainland. Without economic co-operation and division of labour with the Mainland, Hong Kong definitely cannot rely on its own limited resources to sustain the development of its economy and people's livelihood. If we just rely on the limited land in Hong Kong, I am afraid the land in the country parks has to be turned into farmland and factories have to be built everywhere in the urban area. Moreover, the production cost in Hong Kong nowadays is very high and there is no one to farm the farmland and no one to work in the factories, so the economy will be unsustainable, how can we talk about environmental protection? If Guangdong and Hong Kong cannot discuss together and plan their environmental protection efforts properly, how can Hong Kong have a more azure sky, fresher air and cleaner potable water?

Of course, we also have to attach importance to the fact that the living of some people may be affected in the course of integration between Guangdong and Hong Kong, but there are many methods and channels for solving the problem. It is totally unnecessary to cause delays to the works, incur billions or tens of billions of public funds and pay a price with the welfare of 7 million people.

Some people also like to talk about the value of attaching great importance to the rule of law in Hong Kong. However, it is precisely these people who employed every means possible to stonewall Guangdong and Hong Kong co-operation, who are perverting the course of public justice and procedural justice. They contrived all sorts of ways to turn the judicial process into a tool for political struggle. The two successive Chief Justices of the Court of Final Appeal — Andrew LI and Geoffrey MA — have pointed out that the genuine role of the Court is to deal with legal issues instead of solving problems in policy or politics, or even social and economic problems. Dragging the Court into the rough and tumble of politics is to do injustice to the Judiciary and destroy the Judiciary, so Members should be vigilant.

President, I wish to cite the story of the "*Monkey King Subduing the White-Bone Demon*" in the book of "*Journey to the West*", in which the white-bone demon wanted to eat the flesh of the "Táng-dynasty monk" — Members all know that — so it pretended to be a weak young woman, an old woman and an old man on three different occasions to deceive the Táng-dynasty monk. Of course, the Táng-dynasty monk was extremely kind and although the Monkey King had uncovered the tricks of the white-bone demon and wanted to eliminate all monsters and demons, he was misunderstood by the Táng-dynasty monk on the three occasions.

In today's Hong Kong, those people who try all sorts of ways to stop Guangdong and Hong Kong co-operation are also very resourceful. Some of them are barristers and solicitors and some are engineers, academics and professors. It can be said that they are very learned, eloquent and persuasive people. However, they are great pretenders. They like to hide behind the disadvantaged groups, adept at deceiving people. Members of the public must keep guard and the Government also has to be careful.

Being a political party showing commitment and responsibility, the DAB certainly does not wish to see political struggles overshadowing everything, still less do we want to see any bickering in the Council that makes calm discussions no longer possible. However, on the issue of Hong Kong and Guangdong co-operation, we hope that Members can offer their different views. The DAB adopts a positive attitude and puts forward our views to the Government and the community, with a view to fostering confidence in Hong Kong and Guangdong co-operation. We know that after the emergence of the problem relating to the

Hong Kong-Zhuhai-Macao Bridge, the Guangdong side has also raised some issues is like about confidence, saying that it is not sure about the ability of Hong Kong in implementing these major infrastructure projects.

President, on this issue of Hong Kong and Guangdong co-operation, first of all, we have to talk about assisting SMEs in the PRD Region in upgrading. Prof FENG Xiaoyun of the College of Economics of the Jinan University, who is also the economic advisor of the DAB, carried out some inspections last year. She has done some studies on Taiwanese enterprises and Hong Kong enterprises in Dongguan City and made comparisons between the two in terms of upgrading and restructuring to find out their differences and similarities. She found that Taiwanese enterprises are better at making use of Mainland policies and the various kinds of resources provided by Taiwan to integrate various quasi-government corporations or civil organizations in Taiwan to form, through the Taiwan Merchant Association in Dongguan, a "one-stop" service organization for enterprises in seeking to upgrade and restructure, such that very good upgrading and restructuring services are provided to Taiwanese enterprises. In contrast, in upgrading and restructuring, most Hong Kong enterprises are fighting lonely battles and very helpless. The DAB thinks that all the advantages and resources of Hong Kong in the service industry must be enhanced and integrated before we can more effectively assist SMEs in the PRD Region in restructuring and upgrading.

In order to enhance the assistance for Hong Kong enterprises, the DAB set up a service centre in Dongguan at the end of last year to build a platform for exchanges between Hong Kong's professional service sector and enterprises in Dongguan, so that Hong Kong-owned enterprises in Dongguan can get better support. We think that if the Government can make similar efforts or assist civil organizations to do this kind of work, twice the results can be achieved with half the effort.

The SAR Government has the responsibility to promote and assist the development of Hong Kong enterprises in the Mainland. We hope that the SAR Government can strive to co-operate actively with Guangdong and the Hong Kong business sector in promoting such efforts. Thank you, President.

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, the title of Mr Andrew LEUNG's original motion is "Promoting regional economic integration between Guangdong and Hong Kong". The spirit of the original motion and the many amendments to it is to urge the SAR Government to grasp the opportunities for Hong Kong arising from the implementation of the "Outline of the Twelfth Five-Year Plan for the National Economic and Social Development of the People's Republic of China" (the Outline) to further promote economic co-operation between Guangdong and Hong Kong and lay a more solid foundation for Hong Kong's future development.

The focus of the SAR Government in working in line with the Outline of our country is, on the premise of "one country, two systems", to strive for a set of support measures conducive to the future economic development of Hong Kong under the policy of the Central Authorities. For the first time, the Central Authorities have devoted a dedicated chapter to Hong Kong and Macao and elaborated important functions and positioning of Hong Kong under the national development strategy. This is a very important breakthrough in how the SAR complements the planning under the National Twelfth Five-Year Plan (12th FYP). In Section 3 of the dedicated chapter "Deepening economic co-operation of the Mainland with Hong Kong and Macao", the Central Authorities clearly indicate their support for deepening the exchanges and co-operation between the Mainland and Hong Kong, continuing the implementation of CEPA, and elevating the significant functions and positioning of Hong Kong under the Framework Agreement on Hong Kong and Guangdong Co-operation (Framework Agreement) to the national strategic level. The main points include:

- (a) developing a world-class metropolitan cluster with enhanced competitiveness;
- (b) developing a financial co-operation zone led by Hong Kong's financial system;
- (c) building an advanced global manufacturing and modern services base;

- (d) developing a modern economic circulation sphere;
- (e) opening up of the Guangdong market under "early and pilot implementation measures" to Hong Kong's service industries, and gradually extending the measures to other regions; and
- (f) expediting the development of the Guangdong-Hong Kong-Macao Quality Living Area.

Some of the significant functions and positioning of Hong Kong's co-operation with Guangdong are covered in the original motion and the amendments.

It is one of the SAR Government's work priorities to promote regional economic co-operation. The Governments of Guangdong and Hong Kong will actively take forward these initiatives. This is consistent with the spirit of today's motion.

The original motion and the many amendments put forward specific policies and measures in many areas to promote regional economic integration between Guangdong and Hong Kong. Since they cover a fairly extensive scope, we consulted the various relevant Policy Bureaux before the meeting. I will elaborate in brief our preliminary responses as follows.

All the proposed policy initiatives seek to strengthen the co-operation between Hong Kong and its neighbouring regions, particularly Guangdong, in order to promote joint regional economic development. Generally speaking, they can be placed into the following two major categories:

- (a) To strengthen co-operation in modern service industries, such as co-operation in the four traditional pillar industries, including financial services, logistics and tourism; to promote the implementation of CEPA and the development of Qianhai; to assist professional services in developing the Mainland market; and to assist other service industries.
- (b) To strengthen co-operation in modern manufacturing industries, such as to assist local small and medium enterprises (SMEs) and

enterprises with manufacturing businesses in the Pearl River Delta (PRD) Region in upgrading, restructuring, developing innovation and technology and developing the Mainland domestic market.

The SAR Government has been constantly drawing from past experience and now, in our co-operation with the Mainland, we attach equal importance to both the macroscopic and microscopic levels. At the macroscopic level, we would strive towards the various support direction and policies spelt out by our country in the 12th FYP, as well as the long-term principles and policies set down by the Central Authorities in CEPA and other documents. The microscopic level includes our co-operation initiatives with the Mainland provinces and municipalities such as the Qianhai co-operation promoted by us recently. The SAR Government will continue to promote regional co-operation with Guangdong and its neighbouring provinces and municipalities within this multi-level framework.

First of all, let me talk about the following points in the co-operation in modern service industries:

- (a) In financial co-operation, the leading position of Hong Kong in regional development has already been confirmed. To further consolidate and enhance the global influence of Hong Kong's financial centre, the key lies in expanding and developing offshore Renminbi (RMB) businesses. Guangdong is an important co-operation partner of Hong Kong and is well-positioned to develop co-operation on all fronts. The priorities of this year include:
- to promote cross-border RMB trade settlement business, such as encouraging Guangdong enterprises to make better use of the offshore RMB business platform of Hong Kong to "go global", and to conduct related financing and fund management activities;
 - to encourage Guangdong financial institutions to set up sub-branches and operate their businesses in Hong Kong and encourage Guangdong enterprises seek listings in Hong Kong;

- Mutual establishment of institutions in both places (including setting up joint venture companies in Guangdong to provide securities investment advisory service); and
 - to launch the "exchange-traded fund" (ETF) in the Mainland with portfolios constituted by Hong Kong listed stocks.
- (b) In the context of logistics co-operation, the Governments in Guangdong and Hong Kong will further seize the co-operation opportunities in terms of hardware and software to facilitate regional passenger and cargo flows:
- The hardware includes the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge that we are currently taking forward. These are also mentioned in Mr CHAN Kam-lam's amendments. The construction work of the Hong Kong section of the Guangdong-Shenzhen-Hong Kong Express Rail Link commenced in late January last year. The whole project is making good progress and is expected to be completed in 2015;
 - regarding the Hong Kong-Zhuhai-Macao Bridge, we certainly have to deal with the EIA and the Court judgment. However, no matter what, the project of the Hong Kong-Zhuhai-Macao Bridge has to be implemented; and
 - on the customs clearance of goods, it includes the establishment of a third-party platform to enable the trading community to make submissions electronically at one go to the electronic cargo manifest system in Hong Kong and the Mainland, so as to further facilitate the industries.
- (c) In tourism co-operation, the relevant industries in Hong Kong, Guangdong and Macao have maintained close communication and co-operated on issues of mutual concern, such as joint promotion,

the development of multi-destination itineraries, the implementation of honest and quality tourism and the Individual Visit Scheme.

- (d) On the development of Qianhai, the dedicated chapter on Hong Kong and Macao confirms the importance of Qianhai in the development of a "Hong Kong/Guangdong modern service industry innovation and co-operation exemplary zone". The SAR Government has been offering advice on the development planning and the study and formulation of policies for Qianhai. As far as we know, the Shenzhen Municipal Government is actively preparing for the implementation of the relevant planning, including creating a business environment conducive to the development of service industry and offering concessions, in order to attract Hong Kong enterprises and professionals to move into Qianhai and serve Guangdong, with a view to expanding the same to other Mainland markets. The SAR Government will surely help the industries seize the opportunity to expand into the huge Mainland market.
- (e) Promoting the further implementation of CEPA can help Hong Kong enterprises and professionals gain access to the Mainland market and explore new scope for further development. The National 12th FYP clearly indicates its support for the opening up of the Guangdong market under "early and pilot implementation measures" to Hong Kong's and Macao's service industries, and the gradual extension of such measures to other regions. To Hong Kong, this is an extremely important State policy and the key item of Guangdong-Hong Kong co-operation in the future. The Governments of Hong Kong and Guangdong will continue to step up their efforts in implementation.

President, apart from modern service industries, both Guangdong and Hong Kong will also endeavour to work together to promote modern manufacturing industries to build an advanced global manufacturing base in the PRD Region. Members are concerned about how Hong Kong enterprises, particularly SMEs, can be helped in complementing the overall national development strategies, so as to upgrade, restructure, develop innovation, technology and branding and expand into the huge Mainland domestic market.

Hong Kong businessmen on the Mainland, particularly those who have invested in a large number of manufacturing operations in Guangdong are engaged in various types of manufacturing industries, many of which are in the processing trade. At present, our national overall direction in respect of the processing trade is to maintain a generally stable policy and to continue to implement major support measures (for example, suspending the actual payment of standing book deposit for processing trade enterprises, consolidated tax return for multiple domestic sales), so as to guide enterprises in the processing trade to upgrade and restructure, as well as assisting their development of the Mainland domestic market.

The SAR Government has all along maintained close liaison with the relevant Mainland authorities to convey to them views of Hong Kong enterprises on problems encountered in the course of development in the domestic market and in upgrading and restructuring, and discuss with them support measures for the sector.

Under the Framework Agreement, co-operation measures between the Hong Kong and Guangdong Governments in innovation and technology include the Guangdong-Hong Kong Technology Co-operation Funding Scheme. Moreover, Shenzhen and Hong Kong have been actively promoting the development of the Shenzhen-Hong Kong Innovation Circle and have formulated a three-year action plan for the implementation of relevant co-operation measures.

The SAR Government has also put in place various funding schemes, including the SME Development Fund, the SME Export Marketing Fund, the Innovation and Technology Fund, and the Research and Development Cash Rebate Scheme to encourage enterprises to carry out research and development (R&D) and to commercialize R&D results, so as to assist enterprises in restructuring, upgrading and building their own brands.

Ms Miriam LAU's amendment proposes to provide tax concessions as support for local enterprises in developing small-scale technology industries and commercializing the achievements of their scientific research. Hong Kong has all along maintained a simple and low tax regime and the R&D expenditures of enterprises can already claim full tax deductions.

In addition, relevant support organizations, including the Hong Kong Trade Development Council (HKTDC) and the Hong Kong Productivity Council, provide Hong Kong enterprises with support services on technological upgrading, management improvement, branding and market development, as well as information on the Mainland market. The SAR Government also supports Mainland provinces and municipalities in organizing more business matching forums and trade fairs. The HKTDC also organizes many trade fairs on the Mainland to enhance consumer awareness of Hong Kong brand products.

The relevant Policy Bureaux of the SAR Government will continue to listen carefully to the views of Members and various sectors in the community in order to pool collective wisdom in promoting regional economic co-operation between Guangdong and Hong Kong in a pragmatic manner. Later, in my conclusion, I will respond further to the views of Honourable Members.

Thank you, President.

MR JEFFREY LAM (in Cantonese): President, I am very glad that Mr Andrew LEUNG has moved this motion today, in the hope that the authorities will formulate a series of specific proposals as soon as possible to develop and strengthen the regional economy.

In the national Outline of the Twelfth Five-Year Plan, a chapter is dedicated to the development of Hong Kong and Macao (the dedicated chapter) and one of the major directions is to support, consolidate and enhance Hong Kong's position as an international financial centre, including developing it into an offshore RMB business centre and international asset management centre.

Since 2004, Hong Kong has become the largest offshore RMB market outside the Mainland. At the beginning of last year, there was only RMB 50 billion yuan in deposit in Hong Kong but up to now, the amount has broken through the RMB 400 billion yuan mark. However, recently, a lot of people are concerned about the news intimating that Singapore will become another offshore RMB centre, thus posing a direct challenge to the financial industry in Hong Kong.

I believe that in the course of the internationalization of RMB, it is a normal development for a number of offshore centres to appear. It is said that progress comes only with competition. Hong Kong possesses many advantages, so instead of worrying about other people catching up with us, we had better move ahead faster and exert our best. Hong Kong is the first RMB offshore centre and it is arguably the leader in operating RMB offshore business. Not only does it offer RMB bonds, it has also been authorized to make initial public offerings (IPOs) in RMB. Apart from the first RMB IPO last month, it is predicted that another three to five RMB IPOs will also be made in the stock market in Hong Kong this year and this shows that there is still great scope for development in this regard.

The dedicated chapter confirmed the core functions and positioning of Hong Kong in the development of the PRD Region, including the development of a financial co-operation region led by the financial system in Hong Kong. In view of this, I believe the SAR Government should strive to enhance the RMB settlement platform to attract more enterprises to make use of Hong Kong's settlement services and encourage Mainland and even overseas enterprises to issue RMB bonds in Hong Kong. In this way, not only can the RMB business be boosted, our status as an international financial centre can also be further raised.

President, the movement of talents plays a key role in promoting the development of the two places. By 2020, Qianhai in Shenzhen will have been developed into an important production services centre in the Asia-Pacific Region and Nansha in Guangzhou will have been fashioned into a business service centre connected to Hong Kong, whereas Hengqin in Zhuhai will have been developed into a pilot zone for technological innovation. In other words, the opportunities for employment and development will be aplenty.

Although the Mainland and Hong Kong have signed an agreement on the avoidance of double taxation currently, there are still differences in their taxation systems, for example, the bonus in the remuneration of an employee who is a Hong Kong resident is still subject to double taxation by the two places. Twelve countries in Europe have introduced provisions facilitating cross-boundary employment of their citizens to promote employment and economic development among the people between places. The European Union has also laid down the requirement that if an employee lives in one of the European Union countries but

works in another European Union country and he returns to his home country at least once a week, he will become an eligible cross-border worker who is only required to pay tax to the country of his residence without having to pay tax to the country of his employment.

In view of this, earlier on, the Economic Synergy also proposed that a taxation mechanism for cross-border workers be introduced on the basis of "early and pilot implementation" to enable residents of Guangdong and Hong Kong working across the border to be classified as cross-border workers, provided that they return to their place of residence at least once a week, so that they only have to pay tax to their place of residence — I was very pleased to learn just now that the Liberal Party also agreed with our proposal. I believe this will serve to attract more talents working in the service industry and technological research in Hong Kong to develop their career in Guangdong, thus supporting the development of the high-end service sectors, manufacturing industry and technology on the Mainland and promoting integration between the two places.

President, for many years, the Hong Kong General Chamber of Commerce and the business sector both believe that good complementary infrastructure is very important, so that the movements of talents can be facilitated and a "one-hour quality living sphere" can be established. I believe that the Hong Kong-Zhuhai-Macao Bridge, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Shenzhen Western Express Line should be taken forward more expeditiously to ensure that works on the Hong Kong section can be completed as scheduled and connected to the Mainland section, so as to achieve seamless connection and seize the various opportunities in expanding into the Mainland ahead of others.

However, some "wise guys" have posed obstacles to some major infrastructure projects in Hong Kong repeatedly and often, they kept imposing obstacles just when the projects were about to be launched, thinking up what they believed were wise tricks, in the hope of making it impossible to carry out infrastructure development. What they have done is absolutely destructive rather than constructive to the new projects in Hong Kong, thus seriously undermining Hong Kong's long-term interests and economic development.

Hong Kong's co-operation with the Mainland and the forging of a regional economy is a major direction of development, and to use infrastructure to give impetus to development is a proven formula for all parts of the world. The integration between Guangdong and Hong Kong does not mean that Hong Kong will lose its independence and autonomy but conversely, any resistance to the integration between Guangdong and Hong Kong will only turn Hong Kong into an island, which is tantamount to self-marginalization. I hope that those "wise guys" will not use taxpayers' money and time as the stakes repeatedly, making society pay a heavy price for this kind of political game. The wisdom of the public will naturally make a judgment on this.

I also hope that the Government can deal with all matters cautiously and when implementing policies, it has to think ahead and put itself in the public's shoes because the optimal use of land and environmental protection is all people's responsibility.

President, I so submit.

MR LEUNG KWOK-HUNG (in Cantonese): President, I will quote the words of someone called WANG Guo-qing, "Do you know who I am? I am a member of the leadership.". Why did he say that? Because one day, he knocked down someone while driving and was surrounded by an angry crowd and his mistress in his car even clapped and cheered, so he asked the people there if they knew who he was. Another example that we know well is LI Gang, but this is not the one in Western District. A fop driving a car had an accident and he knocked down and killed someone, injuring another at the same time. At that time, the crowd was also agitated and some people wanted to beat him up, so he said, "My father is LI Gang." He said his father was LI Gang, but who is this LI Gang? He was the deputy director of the Baoding City public security bureau's branch in Beishi district in Hebei Province where the Heibe University was located, that is, a petty official. This is someone in public office, so his words will surely be heeded. However, the "best actor WEN" — WEN Jia-bao — said, "There must be the rule of law and all people and groups must be absolutely equal before the law.". I call on Mr CHAN Kam-lam and Mr TAM Yiu-chung to note that what he said was absolute equality.

No matter if the Civic Party was right in seeking a judicial review or not, it is a fact that the EIA report of the Government was not done properly, so can this

be considered practising the rule of law? At present, it looks as if Members would speak whenever a button was pressed and when they speak, they speak in the fashion of "my father is LI Gang" and their father is surely LI Gang and he is the one in Western District. They speak as though a thousand people were speaking in unison. Do they mean that the Court has made a mistake in its ruling? If they say so, can one still seek a judicial review in the Court in Hong Kong? If one cannot, buddies, there will be a huge problem. Foreign companies will leave. It turns out that if one wins in a case of judicial review, one will be lambasted, so one had better not do so.

President, the "best actor WEN" is really terrific. He knew that after making this comment, he would become the director of this film, so he made this clear in the first place. In fact, how is the bureaucratic system being discussed by us today like? On the Mainland, there is a saying like this, "When the Party Secretary waves his hand, the NPC deputies raise their hands, the Government starts working with their hands, the delegates of the CPPCC clap their hands and the public security organs, procuratorial organs and people's courts are the hounds." This is what people on the Mainland say.

Today, a very interesting game is going on here, that is, in this discussion on the 12th FYP, for no good reason, it was said that seeking a judicial review was not right. Members, what did the Government do? Of course, the Government cannot interfere with the operation of the Judiciary and the President also knows this. In fact, the Government has done a lot to facilitate this matter. I will cite some examples. In the past few years, the first one was the 10 measures to save the property market and I already talked about them this morning, saying that each measure was very powerful. The second was the securities law, allowing banks to sell structured products, that is, telling rice shops to sell poisons. The third is to privatize the MTRCL; the fourth is to list The Link REIT in the stock market; the fifth is to build the Express Rail Link; the sixth is to enact the legislation on compulsory acquisition for the Urban Renewal Authority; the seventh is the legislation on compulsory sale; the eighth is the establishment of the Development Bureau, which did not exist when this Government was initially established. What is the function of the Development Bureau? It is to lay stake on land. I will give an example. In my constituency, the Union Hospital was granted 2 hectares of land, 1 hectare for the construction of a hospital and the other for building luxury residential properties. Recently, I protested over this kind of "water-soaked bread", and does the

Secretary know what they said when I upbraided them? They said they had already paid the land premium. However, does paying the land premium mean that one can have one's way? Is having money almighty? The payment of land premium is dealt with by the bureaucrats in the Lands Department and we all know how mighty LEUNG Chin-man was, with a large number of senior officials teaching him how to bargain. This kind of bargaining behind closed doors is worlds apart from the mode of land auction through application. President, this is a quantitative change developing into a qualitative change. They have done all these things, so what else do they want the Government to do? Do they mean that they want to have the Hong Kong Monetary Authority, the Securities and Futures Commission, the Urban Renewal Authority, the Commission on Strategic Development, the committee on the six major "damn the whole family" industries I mean the industry associations. Their own people have been placed into all those industry associations and even the daughter of CHEN Zuoer also plays a part in a certain secretariat. All the rich and powerful people in Hong Kong and the Mainland can be found in them, so they can close the doors and have fun among themselves. Buddies, you did not do your work but when other people merely applied for a judicial review, they were inveighed. Surely it cannot be like this. Moreover, they wanted to inveigh those people openly here.

President, when Mr WANG Guangya came here, there was still some scope but do we still have it nowadays? Of course we do not have any more scope nowadays, do we? Since it was a judicial review, do we really still want the rule of law? Do you want to intimidate Mr Andrew LI and Mr Justice Geoffrey MA again? Buddies, do you want them not to rule over cases? What do you think judges are?

Moreover, the Mainland has spent a lot of money. As I said just now, public expenses increased 87-fold in the first 25 years. In 2003, it accounted for 19% of the government expenditure, which was nine times that of Japan. Throughout the country, there are 40 million farmers who were displaced from their land and this is precisely the result of the land enclosure policy, just like how it was in the United Kingdom back then. Now, we are also following the land enclosure policy and the same is being done in Hong Kong now. At present, there are three inadequacies in our country: Inadequate human rights, inadequate wages and inadequate welfare. It also has three highs, that is, high energy consumption, high pollution and high encroachment. It is precisely for this reason that AI Weiwei has appeared, and why do the authorities want to catch

the young woman doing the graffiti about AI Weiwei? Do you also want to urge that the young woman doing the "AI Weiwei graffiti" be caught? She has undermined stability and prosperity. Wang Guangya, please rein in this bunch of people.

PRESIDENT (in Cantonese): Mr LEUNG used an idiomatic expression, but it should be pronounced as "紈褲 (Yuan2 Fu4)子弟" (meaning a fop).

DR LAM TAI-FAI (in Cantonese): President, after 30 years of reform and opening up, all of us can see the results of the economic development of our country.

Recently, the Mainland economy is even developing at a lightning speed, and it can be described as both powerful and swift. The Mainland market is vast, its domestic demand is strong and business opportunities abound. In fact, many people believe that after North America and the European Union, the Mainland has become a new economic system. Many overseas companies hope to enter the domestic market in Chinese as soon as possible to get a share of the pie.

President, Hong Kong is actually uniquely endowed because we have the Motherland as our backing and be it in terms geography, language or historical factors, we are in a favourable position. It should follow that Hong Kong possesses all the advantages and can have the first bite of the cherry.

However, 14 years after the reunification, this subject of "economic integration between Guangdong and Hong Kong" still requires continual discussion and study. I guess that Mr LEUNG, in moving this motion today, believes that the efforts in the integration of the two places are still inadequate and that there is room for improvement.

President, integration needs to be commensurate and matching and being commensurate is premised on both sides having common goals, aspirations and abilities. Only in this way can mutual complementarity be achieved and integration be carried out properly. This is like a game of "three-legged race". If one of the two persons has long legs and the other has short ones, the speed of their paces will be different, so not only will they be unable to win, they may also

sprain their legs easily. Therefore, both Guangdong and Hong Kong must devote equal effort and time for such integration to be effective and fiery.

President, today, I do not wish to make distant or macroscopic proposals. I only wish to cite one or two specific examples to show that the Hong Kong Government has not done enough in many areas and seriously impeded the major economic integration between the two places, so there is a need to make improvement immediately.

We often criticize the situation of "big doors are open but small doors are shut" in respect of CEPA and this is one example. In fact, at present, some government departments have not even opened their doors, moreover, they even stick stubbornly to their old ways, resolving issues and dealing with problems with conservative thinking. This absolutely and seriously hampers economic integration.

The first point in Mr LEUNG's motion says, "to assist Hong Kong businessmen with manufacturing businesses in the Pearl River Delta Region in upgrading and restructuring". The industrial sector is aware that the traditional mode of "contract processing" is already very backward and if it wants to expand into the domestic market, it is absolutely necessary to switch to "import processing", sole proprietorship as well as upgrading and restructuring. Otherwise, it is totally incapable of competing with outsiders.

In fact, all of us hope very much to tie in with the national policies and development needs by upgrading and restructuring as soon as possible, but the worst thing is that the Inland Revenue Department (IRD) of the Hong Kong Government is hindering development with some outdated taxation laws. I often say that section 39E of the Inland Revenue Ordinance is a case in point. Members of the business sector is worried that once engaged in upgrading and restructuring, it will be necessary to pay huge amounts of tax and the IRD will pursue them to recover past taxes. It can indeed be said that even before upgrading and restructuring, they will have been chewed up by the Government, so how can they promote the greater economic integration?

The relocation of industries across the boundary and the carrying out of production and processing on the Mainland were originally dictated by actual needs and it bears no relation whatsoever to tax evasion, nor was there any

intention or act of tax evasion. However, the IRD in Hong Kong has made the broad-brush and indiscriminate claim that all companies have the intention of tax evasion, so it refuses to offer any tax allowance on machinery depreciation. It pays lip service by voicing support for everyone in upgrading and restructuring but in reality, it is driving all people to their demise.

Secretary Prof K C CHAN said that there was substantial difficulty in relaxing section 39E because it was difficult to verify the actual use of the machinery by Hong Kong companies on the Mainland. This kind of thinking is really undesirable. It is said that "thinking affects behaviour and behaviour affects the outcome", so given that Secretary Prof K C CHAN's thinking is so ossified and conservative and he describes everything as "difficult" and says "NO" — not "know" — to everything, how can we upgrade and restructure? What is the point of talking about greater economic integration?

President, targeting the claim that it would be difficult to check the actual usage outside Hong Kong, I prepared a proposal to the Chinese People's Political Consultative Conference (CPPCC) when attending the sessions of the National People's Congress and the CPPCC in Beijing in March this year and in it, there are proposals on two areas: First, I proposed to enhance the co-operation between the taxation authorities of Hong Kong and the Mainland by commissioning or establishing an organization or office on the Mainland dedicated to checking the actual usage of those machinery or plants that are used on the Mainland. And this organization will issue certificates to the IRD verifying that they are used for proper purposes, so that the relevant enterprises can claim depreciation allowances. Second, I also proposed to implement the proposal on an early and pilot implementation basis in Guangdong in accordance with the stipulations in the Outline of the Plan for the Reform and Development of the Pearl River Delta.

After I had proposed this motion, the response of Mainland officials was quite positive. They contacted me immediately, saying that they understood the problems faced by our sector and that they also agreed with my proposal. However, they said that it was necessary for the Hong Kong Government to raise this matter before they could study it because it was an affair of Hong Kong and they had no ground on which to take the initiative to approach the Hong Kong Government for discussions. Can Members say if Hong Kong officials should

feel ashamed of themselves in this regard? Should SMEs in Hong Kong not find this very lamentable? Do officials in Hong Kong have any sense of responsibility?

President, Ms Miriam LAU also said just now that according to the agreement on the avoidance of double taxation reached by the Mainland and Hong Kong, if Hong Kong people stay on the Mainland for more than 183 days, they have to pay tax on their income to the Mainland according to their number of days of stay. As the tax rates of the Mainland are higher than those in Hong Kong, doing so will seriously affect Hong Kong people in finding employment on the Mainland, and in turn enterprises will be affected, subsequently affecting companies in promoting greater economic integration.

Therefore, I propose that the Government should initiate discussions with the Mainland authorities and give special matters special treatment by examining raising the period of stay to 260 days and establishing an exemption mechanism for "same-day return" and "crossing the border for less than 20 hours" cases.

President, the Secretary may think that in raising matters relating to the reform of the Inland Revenue Ordinance in this motion debate, I am not speaking to the question. However, since the Secretary is the official in charge of Mainland affairs, the business sector's and wage earners' inability to develop on the Mainland is actually closely related to the work of the Secretary. Moreover, I believe that if we want to promote greater economic integration between Guangdong and Hong Kong effectively, the work of government officials must see integration first before they can promote upgrading and restructuring. Therefore, I implore the Secretary to convey these views to Secretary Prof K C CHAN after listening to our views, in the hope that he will understand that support for the upgrading and restructuring of SMEs needs actions rather than just empty talk.

Thank you, Secretary, and thank you, President.

DR RAYMOND HO (in Cantonese): President, it can be said that economic co-operation between Hong Kong and Guangdong has a long history and in the late 70s in the last century, the reform and opening up of the Mainland created

favourable conditions for the co-operation between these two places and brought about a mutually complementary situation.

In April last year, Hong Kong and Guangdong signed the "Framework Agreement on Hong Kong/Guangdong Co-operation" (Framework Agreement). The Framework Agreement is the first outline document on Hong Kong and Guangdong co-operation ever endorsed by the State Council. It sets out the major initiatives for each year, provides a platform for co-operation between Guangdong and Hong Kong and the two sides will review the progress of co-operation and plan major initiatives for the coming year on an annual basis, so as to seek more measures for "early and pilot implementation". It has defined clearly and specifically the positioning of Guangdong and Hong Kong in their co-operative development. In addition, the Dedicated Chapter about Hong Kong and Macao in the 12th FYP promulgated in March this year also confirms clearly the important functions and positioning of Hong Kong's co-operation with Guangdong under the Framework Agreement and confirms clearly the core functions and positioning of Hong Kong in the development of the Pearl River Delta (PRD) Region. It provides a clear direction and basis for further enhancing Hong Kong's regional co-operation with other Mainland provinces and municipalities in the future. All these developments are favourable to taking regional economic co-operation between Guangdong and Hong Kong to a new stage and this is also a very important stage.

A good transport infrastructure in Guangdong is often a prerequisite for the success or otherwise of regional economic co-operation. Hong Kong must race against time by speeding up the development of cross-boundary transport infrastructure and facilities and the implementation of projects that have been launched. On cross-boundary transport infrastructure, the SAR Government must take action first and should not carry out planning only when the facilities can no longer meet the demand. The past model of planning often made Hong Kong lag behind the times in infrastructure development, thus costing Hong Kong a heavy price.

In addition, the speed of planning and implementation of the relevant projects in Hong Kong is also a cause for concern. The examples include the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge project. The whole nation is actively developing a high-speed railway network to strengthen the transport links

throughout the country and promote economic development. However, the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link aroused a series of controversy. Although the project was finally approved, quite a lot of valuable time and energy had been wasted. Moreover, when the Hong Kong-Zhuhai-Macao Bridge was initially proposed, it also met quite a lot of resistance. Fortunately, the project was finally approved. Originally, the project had already been launched but recently, the construction was again affected due to the judicial review sought by a member of the public. In the past decade, a number of public works projects experienced serious delays due to the opposition voiced by various parties at the final stage. The Government should learn a lesson from such experience and when proposing projects, should seriously promote public participation, consult the public and implement the relevant projects in accordance with the procedures required by the law, so as to facilitate the implementation of the projects.

As regards the strengthening of co-operation between the two places, the financial sector should be one of the focuses. Apart from this, the six industries with clear advantages now being actively developed by the SAR Government should also be included. These six industries include: Testing and certification, innovation and technology, education services, medical services, cultural and creative industries and environmental industry. The Government must adopt active and strong measures to make regional co-operation and the development of the relevant industries mutually complementary, so as to create the greatest economic synergy. In addition, Hong Kong should also seize the opportunity to expand the scope and depth of co-operation in R&D with Guangdong, so as to give full play to their mutual complementarity and create a win-win situation of the greatest proportions possible.

At the same time, we should also step up co-operation with Guangdong on the platform of CEPA and develop the market there. Since CEPA was reached in June 2003, seven Supplements have been signed one after another. Although the expected results have not yet been achieved in respect of the professional services, it is hoped that future development in this regard can be speeded up. The co-operation between Hong Kong and the Mainland in a number of economic areas, including professional services, has made substantial progress. However, to some professions, it may still be necessary to further speed up co-operation and expand the scope of co-operation.

Take the engineering sector as an example, among its 20 professional fields, so far, arrangements on mutual recognition of professional qualifications have been made for only one field, that is, the structural engineering sector but there is no definite date for implementing the arrangements for other sectors. Even in terms of the relevant arrangements, there is still room for improvement. Hong Kong companies and professionals still have to face the problem of excessively high entry threshold in gaining access to the Mainland market. Therefore, the SAR and Guangdong should find solutions, so that both parties can be benefited.

President, Hong Kong and Guangdong have a solid foundation of co-operation for many years. Further economic integration should bring even greater benefits to the two places. A relationship of closer economic co-operation between the two places will serve the important showcasing function to other provinces and regions, so this will be more conducive to fostering economic co-operation between Hong Kong and these regions, thus eventually bringing benefits to Hong Kong and even the country as a whole. Hong Kong must seize this opportunity and put in all efforts to promote regional economic integration between Guangdong and Hong Kong.

I so submit. Thank you, President.

MR ALBERT CHAN (in Cantonese): President, today, we are discussing this motion on "Promoting Regional Economic Integration Between Guangdong and Hong Kong" but the Government has only arranged for a representative of the Constitutional and Mainland Affairs Bureau to deal with this matter and reply. I think this is an insult to this question and it also reflects the Government's ignorance of this matter in its overall policy. This is because if the Constitutional and Mainland Affairs Bureau alone is arranged to respond to this issue, it means the Government is dealing with it from a political angle and this will very likely follow the usual tradition of "when Grandpa roars, the slave cowers". When talking about economic integration, many issues relating to financial affairs, the economy and trading or development are involved and to arrange for the relevant officials from the Development Bureau and those in charge of financial affairs to give responses is absolutely more appropriate than arranging for this kind of people akin to lackeys to respond.

Talking about economic integration, I wonder what considerations Members have in mind. This term is actually similar in principle to the so-called "economic globalization". In order to achieve economic integration, we have to consider a number of characteristics carefully. In the past decade or so, whenever the development of Hong Kong and the Mainland was mentioned, there would always be many voices stressing, calling for or advocating the so-called integration. However, the integration referred to here does not mean that Hong Kong and the Mainland will be on an equal footing, rather, Hong Kong will become a part subjected to the rule of the Central Authorities, dictated by the policies of the Central Authorities. Therefore, this word "integration" should be changed to "Hong Kong being willing to be subjected to the guidance or dictates of the policies of the Central Authorities" or "Hong Kong people being willing to continue to serve as lackeys".

If we review this so-called economic co-operation, we will find that there are many levels actually. A looser level is something akin to a free trade zone and a step further is a customs union. A level of greater co-operation is a common market and then, an economic union will emerge. The scale can expand until the final and most comprehensive level called integration or globalization, that is, economic integration or economic globalization. Therefore, there are many levels in terms of scale and in order to achieve economic integration or globalization, many characteristics must be present.

I do not know if the Member proposing this motion has considered clearly the characteristics of the so-called economic integration and whether or not Hong Kong can fulfil the foregoing basic elements? If we refer to some textbooks, in fact, we will find that the foregoing issues are just a matter of basic knowledge. I simply wish to raise several points for Members' reference, so that they can understand what economic integration means.

To achieve economic integration, it is necessary for a common and larger economic policy to exist in the same region, including a fiscal policy and a monetary policy. In addition, economic integration can be achieved only if the economic, fiscal and monetary policies of a region happen to be similar or identical. I really do not know how integration between Hong Kong and Guangdong or neighbouring areas can be carried out when there are so many differences in the monetary policies or fiscal policies of Hong Kong and the Mainland or Guangdong and when such two great divides exist.

Another benchmark measurement of economic integration is that there must be basic co-ordination in taxation, that is, the same currency and taxation arrangements must be similar. In this regard, there are also huge disagreements and differences between Hong Kong and the Mainland. The third is the need to establish a united central bank. It is only when the same economy is under the management of a central bank that the regional integration of a region can be considered complete. Next, it is also necessary to introduce unified exchange rate management and the last point is to introduce unified management of prices.

It is only after combining the foregoing numerous factors that we can say economic integration has been achieved. I do not know whether or not the Member who moved this motion also proposes that the several conditions pointed out by me just now must be attained, that is, the currency has to be the same, the taxation policy has to be the same, the prices have to be the same and various areas of management also have to be the same.

Therefore, President, I oppose this motion in the clearest and most unequivocal terms, because I think that this motion will completely wipe out the present situation of the capitalist system remaining unchanged under the "one country, two systems" principle in Hong Kong. In fact, the so-called "integration" at present means that the stronger party will gobble up the lesser party and Hong Kong will be devoured by the Mainland market consisting of 1.3 billion people. Moreover, under the strong and powerful rule of the Communist Party of China, the "Inhibition Hoop" of political control on us in politics will be further tightened. Given the "birdcage politics", together will the total economic engulfment, Hong Kong will eventually become just one of the cities of the Mainland. For this reason, I believe that not only is this motion very muddled in its concepts, it will also create confusions and basically, it will only bring about the demise of Hong Kong.

President, lastly, I wish to reiterate that I insist on a proposal that I have advocated for years, that is, the Hong Kong Government must establish and develop high-value-added industries. I have raised this many times and they include the pharmaceutical industry, the food industry and high-valued-added watch and fashion industries. If the Hong Kong Government can introduce such measures as tax concessions or land concessions, so that these industries can

re-establish their industrial bases, more employment opportunities can be generated and created, so that economic development can be promoted. This is the way out for Hong Kong and the foundation for the Hong Kong public in their pursuit of their own welfare. If the Hong Kong Government continues to reject this, the problem will only continue to deteriorate.

MR WONG YUK-MAN (in Cantonese): President, the motion on "Promoting Regional Economic Integration Between Guangdong and Hong Kong" moved by Mr Andrew LEUNG urges the SAR Government to assist Hong Kong businessmen to develop their business in Guangdong Province so as to dovetail with the Central Government's 12th FYP and ultimately develop Guangdong and Hong Kong into a world-class urban agglomeration. His motion has given me some enlightenment. I would like to ask: what is special about the Hong Kong Special Administrative Region? What special qualities does it have?

I recently watched a film called "3D Sex and Zen". President, you may also go and watch this film, which is characterized by spectacular box office results at the later stage of film release. A tremendous number of Mainlanders have come to Hong Kong, queuing up to watch the film, which will very likely break Hong Kong movie box office records.

What enlightenment do I get from the motion, then? It is our edge lies in Hong Kong people having to do things prohibited in the Mainland and saying things which the Mainlanders are prohibited from saying. "3D Sex and Zen" enjoys popularity and breaks Hong Kong movie box office records, a scene not seen for many years. Regardless of what the story of the movie is — Secretary, you should go and see the movie — the movie itself tells us that Hong Kong has to do something prohibited in the Mainland, an edge that Hong Kong possesses. Can the Mainlanders shoot "3D Sex and Zen"? No. But people in Hong Kong can shoot the film because we enjoy a much greater degree of freedom than the mainlanders do. Though the example cited by me is very simple, it gives us enormous enlightenment. We can show our support for LIU Xiaobo and AI Weiwei, but this sort of activities is prohibited in the Mainland. Those who show their support for LIU and AI will be arrested. Therefore, Hong Kong has to do something prohibited in the Mainland and say something which the Mainlanders are prohibited from saying.

The chapters related to Guangdong Province in the 12th FYP list several important platforms on which the co-operation between Guangdong Province and Hong Kong and Macao can be built. From the whole plan, we learn that the metropolis of the whole Guangdong Province will make use of Hong Kong's edges, thus promoting the overall integration of Guangdong Province and Hong Kong in terms of economy, transport and life.

The Secretary for Administration once mentioned that "through the implementation of the "One Hour Circle of Life", the transport networks of Hong Kong and those of other provinces will be seamlessly connected so as to attract more investors and professionals from the country or overseas to the Great Pearl River Delta and create a better living space for people of the two regions". A vision called "Pearl River Delta Coprosperity Sphere" in fact exists in the minds of many senior government officials and wealthy businessmen in Hong Kong. They have fallen under the spell of the vision, though the fruits of success are yet to be reaped.

However, I would like to ask: what benefits does this bring to the general public of Hong Kong? The so-called Guangdong-Hong Kong integration should not be confined to economic integration. We now find many aspects where integration is totally absent. Given the fact that the Mainland has edges in economic development, the Hong Kong Government and Hong Kong plutocrats strive to explore the benefits that can be brought to us. However, it turns out that this may not be beneficial to the people as a whole. Many problems, including mixed marriages and pregnant women travelling to Hong Kong to give birth to babies, arise when there are frequent dealings between the people of Guangdong Province and the people of Hong Kong. What is even worse is that a chasm emerges between the new arrivals from the Mainland settling down in Hong Kong and the original Hong Kong residents. The Hong Kong Government turns a blind eye to all these problems while keeping talking about economic integration. The Government does not think about how to solve the problems brought about by cultural differences and chasm between racial groups. These new arrivals and their children will study, work and develop in Hong Kong. We discriminate against these people and even leave the problem of the racial chasm unattended. Just granting that \$6,000 to every Hong Kong citizen is enough to cause the chasm between racial groups. The Government, however, has not thought about how to solve these problems.

Of course, we are not saying that it is not necessary to foster the economic integration between the Mainland and Hong Kong. Hong Kong is a free market practising the system of capitalism and governed under the principle of "remaining unchanged for 50 years". Socialism is now being practised in the Mainland, but the Chinese Government is introducing market economy into the country with relentless efforts. It turns out that the Mainland is even more "rightist" than Hong Kong. Honestly, if integration should take place, it will take place naturally. After Hong Kong businessmen have made profits in the Mainland, they will definitely continue to try to make profits there. Right? Whether they can give back to Hong Kong society after making profits is another matter. However, the results produced by the integration of Hong Kong and the Mainland in terms of economy and other aspects are not the results we wish to see. This can particularly be seen in the problems brought about by cultural differences, which are particularly serious.

To be frank, we can find maglev trains and many high-rise buildings in Shanghai, the hardware of which is first class. However, we keep seeing Shanghai people take public buses without queuing up, spit everywhere and smoke in lifts. Compared with Shanghai, Hong Kong has many edges. Moreover, a shop in Tsim Sha Tsui has the highest turnover in the world and those who spend money there are all wealthy compatriots from the Mainland. Do these phenomena indicate that Mainland people are very wealthy? Of course not. The poverty gap in the Mainland is very large. Only a handful of people can spend \$2,000,000 freely in Hong Kong. What impacts does this phenomenon have on Hong Kong people? I can tell you all that the salespersons have to welcome these Mainland customers in Putonghua when they enter the shop. By the way, it is not possible to find a job if one cannot speak Putonghua. The salespersons have to be courteous because they want the money of these Mainland customers. But they will scold them once they step out of the door. On the one hand, Hong Kong people are jealous of people who are wealthy, and on the other, they are jealous of people who are poor. The new arrivals from the Mainland are seriously discriminated against. Our society and our Government do not find methods to bring different racial groups together. They just make unrealistic dreams every day.

The current situation is people keep saying that Hong Kong, which "grasps the opportunities brought about by the 12th FYP to develop the economy", still has many things to do and has to grasp opportunities. The integration of the

Mainland and Hong Kong has become so influential that now even our Chinese words and expressions are already very similar to those used by the Communist Party. For example, people always use the term "落實" (implementation). In fact, instead of using the term, we can use such terms as "實現" (realization), "實踐" (practice) and "實行" (practise). I feel angry when I see these Chinese words and expressions. The Chinese language we use may now be integrated by the Chinese language used by them. Sometimes the catchphrases used by the Secretaries reflect the characteristic of integration, which may be attributable to the fact that he always travels to the Mainland.

Frankly, I believe that Hong Kong, which "grasps the opportunities brought about by the 12th FYP to develop the economy", will be reduced to a small city that embellishes the prosperous and fortunate Grand Guangdong Province. Thank you President.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

MR ALAN LEONG (in Cantonese): President, the Civic Party subscribes to the spirit of the motion. Our country is developing rapidly, and cities like Shanghai, Shenzhen and Guangzhou are developing especially quickly. The GDP of Guangdong Province alone reached RMB 4,500 billion yuan, higher than Hong Kong's GDP last year, exceeding that of Taiwan and going to level with those of South Korea and Canada. The planning of the long-term development of the Mainland will have great implications on Hong Kong. It is thus important for Hong Kong to actively participate in the process of integration on the premise of mutual benefit and mutual trust. Otherwise, Hong Kong will not only fail to gain benefits from the opportunities brought about by integration but also lag behind other places.

President, when considering the issue, the Civic Party definitely gives full support to the integration of the flow of people, of goods and of capital as well as the removal of all barriers as soon as possible. However, we must continue to treasure and preserve our traditional values and systems, things that are the most valuable in Hong Kong.

President, to clear the doubts about Hong Kong people being subject to the State's planning under "one country, two systems", it is necessary for Hong Kong to more proactively participate in integration and to facilitate communication and exchanges with the Mainland. It should not be a case of the executives of the two places doing their job behind closed doors. Rather they should open up to allow all people, the Legislative Council and representatives with popular support to conduct exchanges, discussions and negotiations and to establish a permanent mechanism for communication between the Mainland and Hong Kong.

President, as the leader of the Civic Party, I notice that recently some people have made some seriously untrue reports and comments against the Civic Party in respect of the judicial review over the legality of an EIA report on the Hong Kong-Macao-Zhuhai Bridge. Of course, regarding this lawsuit, there is no need for me to say too much. The proceedings were initiated by an old woman called Ms CHU Yee-wah, who lives in Tung Chung. Justice FOK of the High Court made a most convincing and valuable judgment after listening to the statements of both the plaintiff and defendant. The judgment exactly exemplifies the solid legal foundation on which the Environmental Impact Assessment Ordinance is based.

In public discussions, some people say, "This EIA report concludes that the impacts of the Bridge on the environment are very small. Why should the impacts be magnified and exaggerated?" I do not know if those who make such comments have taken into consideration the fact that as many as 1.1 million people living in various places in Tung Chung, Tuen Mun and Yuen Long will face various degrees of pollution brought about by the vehicles running on the Bridge. President, scientific proof shows that increased pollution on the Bridge will increase death tolls and the number of patients hospitalized.

President, some people say, "Why does the Civic Party hide behind the scene? Why does it not admit that it has helped this old woman Ms CHU?" President, I would like to rebut all unjustified accusations and criticisms for the record. The Civic Party never refuses to admit that some party members have helped this old woman Ms CHU. But we must refute the accusation by the public and the media that the Civic Party controls Ms CHU. President, such an accusation is not true and it is also a humiliation to Ms CHU because it means Ms CHU does not enjoy free will. More importantly, it implies that the seeking of professional assistance by the grassroots is an immoral behaviour. This

conspiracy theory will only deter the disadvantaged groups from employing legal means to protect their civil rights. It is practically an action to challenge the rule of law.

President, if the saying that disadvantaged groups should be prohibited from using judicial reviews to require the executive to act in accordance with the law becomes the mainstream thinking, the SAR government will then be free from the restriction of the law and it can trample on civil rights freely. If such a situation really occurs, is it unfortunate or fortunate for Hong Kong?

President, the Environmental Impact Assessment Ordinance has in fact been in force for 13 years. The Government failed to correct itself throughout the whole period. In the relevant committee meetings and general meetings of this Council, this Council again and again reminded the executive authorities that they were walking on a wrong path. But they did not listen. Even during the judicial review, Edward YAU, the Secretary responsible, still said that he could not do anything because the judicial review was in process. The Government only has itself to blame.

However, if we make the comment that Ms CHU, rather than the Government, has made a mistake, then this is really ridiculous. If today we point the finger at Ms CHU, who helps the Government correct mistakes (some also point the finger at the Civic Party), tomorrow we can point the finger at other people who uncover the Government's failures. This is totally unacceptable.

President, the Civic Party believes that the judgment can improve the quality of the environment, protect people's health and better enable the sustainable development of Hong Kong. Any acts that hamper Hong Kong's development and the upgrading of Hong Kong's environmental protection standards to those of advanced countries will gradually undermine Hong Kong's competitiveness. Any words and deeds that challenge judicial independence and trample on civil rights will definitely endanger "one country, two systems" and public interest. The Civic Party has no fear of pressure and is determined to join hands with Hong Kong people to safeguard the core values we cherish.

President, I so submit.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

MS AUDREY EU (in Cantonese): President, as pointed out in the speech just made by Mr Alan LEONG, leader of the Civic Party, the Civic Party supports the original motion and all amendments. Overall speaking, the Civic Party absolutely supports the promotion of economic integration between Hong Kong and the Mainland. However, what is strange is — President, I believe you must have also noticed — recently many "leftist" newspapers and some "leftist" commentators have kept scolding the Civic Party. Some reports even criticized the Civic Party of "promoting the independence of Hong Kong in an opaque way" and "opposing everything related to integration" after the judgment on the legality of an EIA report on the Hong Kong-Macao-Zhuhai Bridge was made. The article published in *Wen Wei Pao* pointed out that politically speaking, the Civic Party was "promoting the independence of Hong Kong in an apparent way" and economically speaking, the Civic Party was "promoting the independence of Hong Kong in an opaque way". Both accusations are related to each other. Therefore, I have to state clearly for the record that the Civic Party absolutely supports the economic integration of Hong Kong and the Mainland.

However, I have to state clearly that economic integration does not necessarily contradict with environmental protection. I believe we all remember that President HU Jintao raised the view of scientific progress. The Chief Executive copied his words and raised the idea of the view of progress, saying that the progressive view of development had to be established. However, in fact, the most important concept of the view of scientific progress is sustainable development, which suggests that any development should complement environmental protection. I listened very attentively to the whole speech made by Mr CHAN Kam-lam. His main idea is that we should not talk about environmental protection if there is no economic development. I do not agree with this either. The reason is that he puts environmental protection and economy into a dichotomy, which is in fact a very old-fashioned view. Those who give their support to development should be talking about sustainable development.

I would also like to reiterate that the Civic Party supports the suggestion made in the amendment by Mr CHAN Kam-lam, that the Hong Kong-Macao-Zhuhai Bridge and some other infrastructural projects should be

completed according to schedule. Many public comments doubt why the Civic Party got involved in the lawsuit of the Hong Kong-Macao-Zhuhai Bridge. Does the Civic Party aim at halting integration and delaying infrastructural development by getting involved in the lawsuit? The Civic Party has absolutely no such intention.

I would like to take this opportunity to respond to some comments. For example, Mr CHAN Kam-lam implied in his speech that he was criticizing the Civic Party and that he accused us of hiding behind the scene, though he did not state clearly in his speech the target he was criticizing was the Civic Party. Mr TAM Yiu-chung, chairman of the DAB, wrote an article entitled "My views on the Saga of Hong Kong-Macao-Zhuhai Bridge", which was published in the newspaper. He criticized the Civic Party: "Why not be upright and come out and explain their role in the incident? They tried their best to draw a clear line and stay away from the incident. However, they tried every possible means to defend themselves after facing severe criticisms from the media and the mainstream public view. It is unacceptable that on the one hand they want glory and on the other they hide behind the scene."

President, I have to explain clearly for the record that, unlike some political parties, the Civic Party is not fond of claiming credit for having "fought for" this thing or that thing in a high profile. The lawsuit is in fact a formal lawsuit with a formal plaintiff. The Court made a judgment only after listening to the statements of both the plaintiff and defendant. The judgment spans tens of pages. Everything is based on facts. Therefore, we can in no way come forth to proclaim we have "fought for" the success of winning the lawsuit. We have never wished to do this. However, we have never concealed the fact that the solicitors and barristers helping Ms CHU are truly members of the Civic Party. The case involves a formal legal procedure and it is not an activity of the Civic Party. We would definitely like to explain the matter clearly and we have to say we are not hiding behind the scene.

The second point I would like to raise is that it is unfair for Mr TAM Yiu-chung to say in his article that the judicial review is a lawsuit is instituted just for the sake of instituting a lawsuit. Making such a claim is unfair to the Judiciary rather than the Civic Party. The application for a judicial review to be conducted by the Judiciary requires prior approval and a just judgment is only made after a court procedure is followed. If the Civic Party or Ms CHU initiated

a lawsuit only for the sake of initiating one, then we cannot possibly win the lawsuit. In addition, the article by Mr TAM Yiu-chung also pointed out that this judicial review was to decide whether the relevant procedures complied with the Environmental Impact Assessment Ordinance (Cap. 499). It was a legal requirement and the lawsuit was legal. It is absolutely wrong for Mr TAM Yiu-chung to claim in his article that only procedural justice was involved in the judicial review. If this was the case, the Government could simply restart the EIA so as to get the matter settled. However, according to recent reports, the Government is considering making an appeal. It has to be noted that the 14-day time limit of appeal has expired. The Government should have made an appeal within 14 days if the so-called "leapfrog" procedure is followed. The deadline has expired.

Whether the Government ultimately makes an appeal is not important. We can see that the EIAs conducted by the Government up to present were based on wrong understandings and the Government did not try its best to take the necessary mitigation measures. In other words, it did not try its best to reduce the damages done by the relevant works to the environment, which is exactly what we consider to be very important. The Government must comply with the law, a principle that has profound impacts.

Some Members pointed out in their speeches earlier that such a move would do the Judiciary injustice. I think this is something that cannot possibly happen. Hong Kong is a society governed by the rule of law and whether the Government complies with the law when conducting EIAs has to be decided by court judgments. The Civic Party will have no fear of any pressure and will look for opportunities to refute all untrue criticisms. Thank you, President.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

MR TAM YIU-CHUNG (in Cantonese): President, I have listened to the speeches made by Mr Alan LEONG and Ms Audrey EU just now.

The main points made by Ms Audrey EU are replies to an article entitled "My views on the Saga of the Hong Kong-Macao-Zhuhai Bridge" I published in the newspaper today. In fact, I had thought carefully again and again before

writing the article because I was worried that other people might be wrongly blamed. I also exercised great care and tried to be friendly to others all the time. So I did not point out the names of those I wrote about. However, I would like to give a brief reply here since they have openly taken the pigeon holes.

Ms Audrey EU just mentioned the views of Mr CHAN Kam-lam or the DAB on the relationship between the economy and environmental protection. We never think that the two contradict with each other and in the speech made by Mr CHAN Kam-lam, I do not find that the two contradict with each other. It is very clear that we should consider how to strike a balance between the two. Therefore, we do not agree that we should neglect everything and neglect environmental protection when developing the economy. We have never held such ideas and we very much support sustainable development.

The Civic Party pointed out in a most courteous manner that they did not "fight for" the suspension of the Hong Kong-Macao-Zhuhai Bridge project and they did not raise any such idea. They also said that the lodging of the lawsuit was based on formal procedures and the applicant had based everything on facts, and there was no cover-up whatsoever. Following legal procedures, she filed an application for judicial review. Other than this, I learnt a lot from newspapers. At the beginning some newspapers reported that Ms CHU lived at Tung Chung and that she had no connection with the Civic Party. But later it was reported that she was a volunteer of the Civic Party and that nobody from the legal sector controlled her.

To put it in another way, I think that she knew the relevant procedures, environmental protection laws or the relevant viewpoints since she was taught by many people. The reason why I make such a comment is that as far as we know, Ms CHU did not present her views at the beginning but she did at the later stage when judicial procedures were in process We can of course say that she did not present her views at the beginning and only presented her views later. Why could she not do it in this way? Of course she could do it in this way. But the problem is that she was taught by many barristers and many people conversant with legal procedures, without the help of which she could not have achieved such results or success.

Of course, the result of the judicial review can bring great benefits to future environmental protection work and to the 7 million people of Hong Kong. But I cannot see any benefit at the current stage. On the contrary, what I can see is

that it is clear that many works and projects, including the Hong Kong-Macao-Zhuhai Bridge, have to be suspended. It seems that the relevant judgment has led to the stoppage of the Sha Tin to Central Link Project and the legality of other projects has to be reviewed again.

In addition, the current work that has to be done by the authorities does not seem to be work required to be done by the existing laws, but the fulfillment of new requirements. What values and contributions do the relevant requirements bring us? At the moment, I really do not know the answer. However, as this result is achieved with the strong support of the Civic Party, I think Hong Kong people can see what is happening and they will make their own judgment on the current situation.

Regarding this issue, in view of China's economic development, I think that Hong Kong has to actively complement the country's development so as not to lag behind the current situation on many fronts. This is very crucial to Hong Kong's future economic development.

With regard to this year's Budget, although many people have criticized the Government for having no long-term planning and analysis in many matters, it was decided after long-term consideration that similar large-scale infrastructural projects would be carried out. I think that we have to pay a very heavy price if delays are caused numerous factors cause. If these prices are worth paying, then of course such prices have to be paid. Otherwise, I think that we should re-think the matter.

Therefore, regarding the judgment, I support the Government in making an appeal and requesting the Court to make clarifications. Of course, many people would tell the Government to learn a lesson after this incident and examine how to ensure the legality of future large-scale infrastructural projects so as to prevent people from exploiting any loophole again. However, I think that it is difficult to avoid such a situation because people always have the opportunity to find loopholes in everything involving lawsuits. People can beat the Government by making use of the relevant loopholes. The result is that the Government has to restart its work. I hope that we can make reflections on this matter.

I so submit. Thank you President.

PRESIDENT (in Cantonese): Does any other Member wish to speak?

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr Andrew LEUNG, you may now speak on the four amendments. The time for speaking is five minutes.

MR ANDREW LEUNG (in Cantonese): President, I would like to thank the four members for proposing amendments to my motion, the contents of which are enriched by them.

Dr Samson TAM mentioned that far-sighted and sustainable policies had to be formulated so as to attract more enterprises from the Mainland to set up international headquarters in Hong Kong and to attract more capital to flow into Hong Kong. I agree with his view though Dr TAM gave it brief mention in his speech. Now quite a lot of capital has flown into the Mainland through Hong Kong and many foreign enterprises have entered the Mainland market by means of fund raising in Hong Kong. As Dr Samson TAM said, Hong Kong should not play the role of middleman and we should attract capital to stay in Hong Kong for development. I agree with him that we should make use of Hong Kong's advantages and should not just play the role of middleman. He also listed some examples in which Hong Kong has an edge in development, for example, economic development stimulated by the Internet.

To enable the industries in which we enjoy advantages to expand, Mr WONG Kwok-hing proposed planning for a fourth industrial estate as soon as possible, which is what the Federation of Hong Kong Industries has been promoting all along. As I have mentioned, a green low-carbon economy will be the new direction for development under the 12th FYP. In a press conference of the NPC session, Premier WEN Jiabao also mentioned that in the future Hong Kong had to develop small-scale and high-value-added scientific and research projects.

The current occupancy rate of the industrial estates has in fact reached nearly 100%. Many emerging industries find it hard to develop in Hong Kong because Hong Kong cannot provide any land to them and the size of industrial buildings is small and as a result they have chosen to move north into the

Mainland for development In the past several years, various companies (for example, MyCar) told me that they could not engage in production in Hong Kong. The intended assembly of some large buses in Hong Kong has also fallen through.

Many environmental protection enterprises and even information technology industries have indicated their desire to develop their business in industrial estates. However, they have no opportunity to enter the industrial estates because these estates are nearing capacity, thus forcing them to suspend their business expansion plans or move to other places. I estimate that the industrial policies of the Mainland will undergo great changes in the next five years. The PRD will gradually develop in the direction of high value-added production with low pollution. Hong Kong should grasp the opportunities to develop high-value-added industries, such that a synergy effect can be achieved with enterprises in the Mainland.

I also agree with the several Members that the Capital Investment Entrant Scheme has to be reviewed and the condition for setting up new enterprises has to be improved. Financial and tax assistance have to be provided to Hong Kong businessmen in the Mainland in their upgrading and restructuring, thus pushing the development of Hong Kong brands and professional services. We have to assist Hong Kong professional services to enter the Guangdong market and both regions can join hands to develop the Qianhai district into an exemplary zone. We also that the scope of professional services can radiate to places outside Southern China.

Mr Jeffrey LAM, Mr CHAN Kam-lam and Ms Miriam LAU also mentioned earlier that the implementation of the Hong Kong-Macao-Zhuhai Bridge project and other large-scale cross-border infrastructural projects is very important to the integration of Guangdong Province and Hong Kong. To tie in with the development of the two places, it is necessary for us to introduce more streamlined and convenient measures for procedures concerning the flows of people and goods.

I also agree that the Governments of the two places should introduce more tax incentives to encourage the flow of talents from and to the two regions. As suggested by Ms Miriam LAU, one of the methods to encourage the flow is to relax the time limit for Hong Kong people working in the Mainland and the regulations on tax collection. She also supports the recommendation made by Economic Synergy, that tax provisions for cross-border workers should be

introduced so as to encourage the greater flow of people from and to the two places.

President, I hope the Government can take on board my views and those of the several members and make more efforts on fostering the co-operation between Guangdong and Hong Kong. I so submit.

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, I am grateful to Members for their valuable views on the Outline of the National Twelfth Five-Year Plan and the motion on "Promoting regional economic integration between Guangdong and Hong Kong". Now I would like to give a further consolidated response.

In both the original motion and Ms Miriam LAU's amendment, it is proposed that funds be set up, and incentive schemes and tax concessions be provided to assist Hong Kong enterprises in upgrading and restructuring and developing their brand names. In my speech earlier, I already introduced a series of related loans and funding schemes operated by the SAR Government. Even though the SAR Government has no intention to set up at this stage any new loans or funding schemes, it will constantly review the operation of the relevant schemes and make adjustments when necessary. For example, the Government plans to increase the total guarantee commitment under the SME Loan Guarantee Scheme from the present \$20 billion to \$30 billion. The Government also plans to inject an additional \$1 billion into the SME Development Fund and SME Export Marketing Fund, for the provision of continuous support to SMEs in respect of marketing and upgrading their competitiveness.

As regards taxation, Hong Kong has been pursuing a simple and low tax regime, under which all the operating expenses of an enterprise are entitled to full tax deduction and expenses in relation to research, development and purchase of patent rights and rights of any industrial knowledge are also fully deductible. Besides, in order to encourage enterprises to make wider use of intellectual property rights, encourage innovation and improvement, and promote the development of creative industries, a bill introduced by the SAR Government to the Legislative Council in early March this year seeks to propose tax deduction for capital expenditure incurred on the purchase of copyright, registered designs

and registered trade marks, and the bill is being scrutinized by the Bills Committee.

Dr LAM Tai-fai has very staunchly mentioned issues relating to section 39E of the Inland Revenue Ordinance (IRO) again. The Bureau for Financial Services and the Treasury has given response to the Legislative Council on various occasions to issues related to section 39E of the IRO. From the perspective of taxation, there are substantial differences between "contract processing" and "import processing" in terms of the mode of operation, status of legal person, ownership of goods, production equipment and degree of participation in the production activities in the Mainland. Under the "import processing" mode, Hong Kong enterprises engaging in "import processing" are involved only in trading activities. As such, they would only be liable to profits tax in Hong Kong for taxable profits derived from their trading activities. The machinery or plant is solely used by the Mainland enterprises (being separate legal entities) in their manufacturing activities and the profits thus generated are wholly derived from the Mainland and liable to tax on the Mainland. Since the Hong Kong enterprises do not take part in the manufacturing activities on the Mainland and have not derived any chargeable profits from the manufacturing activities on the Mainland, the Hong Kong Inland Revenue Department would not charge profits tax on the Hong Kong enterprises in relation to the manufacturing activities on the Mainland (on basis of the territorial source principle) and would not grant depreciation allowances for the machinery and plant which are solely related to the manufacturing activities (on basis of tax symmetry principle).

It is proposed in the original motion that tax provisions for cross-border workers be introduced so as to encourage Hong Kong talents who are engaged in the service industries as well as scientific and technological research to work on the Mainland. In Ms Miriam LAU's amendment, it is specifically proposed to relax the taxation threshold regarding the stay of Hong Kong residents on the Mainland for employment.

The Double Taxation Agreement executed between Hong Kong and the Mainland in 2006 has set out clearly the allocation of taxing rights between the two jurisdictions so as to avoid double taxation. We have conveyed to the Mainland the view of some members of the trade, that the existing 183-day threshold should be relaxed. The relevant Mainland authority is of the view that this standard has worked well all along and complies with different model

agreements for avoidance of double taxation. They see no sufficient justifications for changing the standard presently. We will continue to discuss the issue with the Mainland authority in light of the development in society.

Regarding the proposal of introducing special tax provisions for cross-border workers, I understand that it is meant to allow those who frequently travel between the Mainland and Hong Kong, such as those who travel between Guangdong and Hong Kong for work, to pay tax to the Government of the place where they live only. The proposal will involve many complicated issues, such as whether it will lead to a situation where taxation of both jurisdictions can be avoided, how to determine the coverage of cross-border employment, how to define cross-border workers, and whether it will be unfair to other taxpayers who must travel to the Mainland for work. Therefore, the SAR Government must be very careful in considering the proposal.

Ms Miriam LAU has also proposed doubling the tax deduction for expenditure on research and development (R&D). The SAR Government considers that the expenditure on R&D incurred by enterprises is already fully deductible and the range of deductible expenditure on R&D has been very extensive. If the amount of tax deduction for expenditure on R&D incurred by enterprises is to be doubled, it will run counter to the principle of fairness in our tax regime. So, the SAR Government has reservations about any proposal of providing double tax deduction for certain expenditure items.

Ms Miriam LAU and Dr Raymond HO have respectively mentioned that regarding the development of Qianhai and co-operation with the Mainland, the opportunities for Hong Kong professionals to set up operations and promote their businesses in the Mainland should be enhanced.

Over the years, under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as "CEPA"), this is one of the priorities of the SAR Government in respect of the Hong Kong/Guangdong co-operation platform and the recent promotion of the development of Qianhai. We hope that on the foundation of CEPA, the relevant government departments in the Mainland can adopt some new initiatives in taking forward the development of Qianhai. Currently, professionals such as doctors can set up operations in Guangdong Province, while the legal profession, such as lawyers, has also set up offices in many Mainland provinces and municipalities,

such as Beijing, Nanjing, Chengdu, and so on. To develop the market for Hong Kong's service industries and professionals, and expand the scope of their businesses in the Mainland is one of the most important key areas of our work.

Dr Samson TAM has expressed his views on several aspects, one of which is related to the need to encourage more enterprises on the Mainland to establish regional headquarters in Hong Kong. In fact, as of June 2010, a total of more than 6 500 overseas and Mainland companies representing their parent companies located outside Hong Kong have established operations in Hong Kong, of which over 3 600 are regional headquarters or regional offices. Among the Mainland enterprises, 261 of them are operating regional business in Hong Kong while another 528 have set up local offices in Hong Kong. If I remember it correctly, the percentage of foreign and Mainland enterprises which have set up regional headquarters and offices in Hong Kong has increased by almost 50% since the reunification in 1997. And the number of these regional headquarters and offices has increased by around 20% since 2003. I specifically referred to 2003 because CEPA was signed in that year. I believe the new environment is conducive to our promotion efforts.

I am going to respond to the amendment of Mr WONG Kwok-hing who has proposed the expeditions establishment of a fourth industrial estate. The relevant Policy Bureau has just reported the latest developments of industrial estates to the Panel on Commerce and Industry of the Legislative Council in mid-April this year. As the number of greenfield sites in industrial estates decreases, the Government recognizes that it is necessary to fully consider and review the way forward of industrial estates, including whether or not to have a fourth industrial estate, and make recommendations in due course.

In his amendment, Mr WONG Kwok-hing has also proposed that we should review and reform Hong Kong's schemes for investment immigrants by introducing entrepreneurial investment immigration. Hong Kong has all along been pursuing an open immigration policy to facilitate entry of talents and investors from all parts of the world. In respect of attracting talents, we have introduced the Admission of Mainland Talents and Professionals Scheme and the Quality Migrant Admission Scheme since 2003 and 2006 respectively so that talents in any sectors from the Mainland and overseas can apply for residence in Hong Kong.

As for attracting investors, foreign entrepreneurs can apply for making investments, setting up businesses and living in Hong Kong under the General Employment Policy. Under this policy, consideration of the Immigration Department will be based on the economic benefits, including the number of news posts, to be brought to Hong Kong by the applicants. On the other hand, the SAR Government has implemented the Capital Investment Entrant Scheme since 2003 to facilitate entry for residence in Hong Kong by capital investment entrants, that is, persons who bring capital to Hong Kong but will not be engaged in the carrying on of any business in Hong Kong. The Capital Investment Entrant Scheme is just one of the various ways through which foreign investors can apply for residence in Hong Kong. Investors can choose their investment items under the Permissible Investment Assets class without the need of setting up any business or operating any business jointly with other people.

President, the SAR Government will review the entry arrangements and relevant schemes from time to time.

President, Mr WONG Yuk-man has specifically mentioned that Hong Kong should focus on the development of certain industries for which the conditions are relatively not so good in the Mainland. But I believe this does not mean that the film industry in Hong Kong should specifically shoot certain types of 3-D films. Instead, from the principle and level of a macro perspective, Hong Kong has the advantages of "one country, two systems", a free and open economy, the principle of the rule of law and a market which meets international standards. So under the Basic Law, the position of Hong Kong as an international financial, trade and shipping centre has given us a great advantage over others. For example, it is specified in the 12th FYP that Hong Kong can develop into an offshore Renminbi (RMB) business centre. Compared with some Mainland municipalities, including the major municipality of Shanghai, Hong Kong, as I believe, has the unique conditions which enable it to develop into an offshore RMB business centre because Hong Kong is within "one country" but belongs to another jurisdiction, and it is an international financial centre as well. Thus in the development of RMB business, Hong Kong can serve as a testing ground with the focus on a liquidity pool. Meanwhile, the firewall arrangements can cater for the Mainland's concern of financial security.

In his speech, Mr Jeffrey LAM has highlighted specifically that the amount of RMB deposit accumulated in Hong Kong was just RMB 50 billion yuan in early last year but was more than RMB 400 billion yuan by the end of February

this year. As the growth is basically in a geometric progression, members of the trade have estimated that the amount accumulated will be more than RMB 1 000 billion yuan in the next couple of years. So, in the dedicated chapter on Hong Kong and Macao in the 12th FYP, it is clearly stated that the Central Authorities are willing to adopt policies to support and strengthen Hong Kong's status as an international financial, trade and shipping centre. The Central Authorities are also prepared to consider the gradual extension of the "early and pilot implementation measures" in Guangdong to other regions under CEPA, apart from its support for the development of various new industries, including the six priority industries, in Hong Kong.

President, I consider that today's motion, including various amendments proposed by Members, are very timely and worthy of support in respect of the joint effort of the SAR Government and the Legislative Council in promoting Hong Kong's economic development and opening up the Mainland market. Certainly, concerning some specific proposals in the original motion and the amendments, the necessary conditions are not available for implementation by the Government at this stage as I have explained in my speech. President, in general, we welcome various political parties and groupings and Members of the Legislative Council to co-operate wholeheartedly with the SAR Government to promote the economic development of Hong Kong.

President, I so submit.

PRESIDENT (in Cantonese): Dr Samson TAM, you may now move your amendment.

DR SAMSON TAM (in Cantonese): President, I move that Mr Andrew LEUNG's motion be amended.

Dr Samson TAM moved the following amendment: (Translation)

"To add ", given that" after "That"; and to add "the SAR Government, while assisting Hong Kong enterprises in going north to open up the Mainland market, must formulate a long-term and sustainable policy to attract more enterprises on the Mainland to establish international headquarters in Hong Kong, facilitate the inflow of Mainland and

overseas capital to Hong Kong and create more employment opportunities for Hong Kong; therefore," after "two places,"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Dr Samson TAM to Mr Andrew LEUNG's motion, be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, as Dr Samson TAM's amendment has been passed, you may now move your revised amendment.

MR WONG KWOK-HING (in Cantonese): President, I move that Mr Andrew LEUNG's motion, as amended by Dr Samson TAM, be further amended by my revised amendment.

Mr WONG Kwok-hing moved the following further amendment to the motion as amended by Dr Samson TAM: (Translation)

"To delete "and" after "tourism co-operation;"; to add "; (j) to expeditiously conduct studies on establishing a fourth industrial estate and formulate an

implementation timetable, with a view to creating better conditions for expanding local industries with competitive edge, so as to dovetail with the Twelfth Five-Year Plan and regional economic integration between Guangdong and Hong Kong, thus creating more new employment opportunities for Hong Kong; and (k) to expeditiously and comprehensively review and reform Hong Kong's schemes for investment immigrants, draw on the successful experience of Singapore or the United States in introducing entrepreneurial investment immigration, enhance the entrepreneurial environment in Hong Kong for increasing employment opportunities, and formulate a review timetable in this regard," after "technologies on the Mainland"; and to add ", while at the same time raising Hong Kong's level and enhancing its value-adding" after "Mainland economy".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That WONG Kwok-hing's amendment to Mr Andrew LEUNG's motion as amended by Dr Samson TAM be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Ms Miriam LAU, as the amendments by Dr Samson TAM and Mr WONG Kwok-hing have been passed, you may now move your revised amendment.

MS MIRIAM LAU (in Cantonese): President, I move that Mr Andrew LEUNG's motion, as amended by Dr Samson TAM and Mr WONG Kwok-hing, be further amended by my revised amendment.

Ms Miriam LAU moved the following further amendment to the motion as amended by Dr Samson TAM and Mr WONG Kwok-hing: (Translation)

"To add "; this Council also urges the SAR Government: (l) to expeditiously review the existing support arrangements and tax concessions; (m) to set up funds for the upgrading and restructuring of small and medium enterprises; (n) to discuss with the Mainland to further improve the situation of 'Big doors are open, but small doors are shut', including further relaxing the threshold of market access and strengthening mutual recognition of professional qualifications, so as to facilitate Hong Kong's small and medium enterprises to expand their business on the Mainland; (o) to provide tax concessions for scientific research; (p) to provide financing channels and professional advice to help Hong Kong businessmen on the Mainland enhance their innovation and scientific research capability; (q) to strive to ensure that cross-boundary infrastructures, including the Hong Kong-Zhuhai-Macao Bridge project, etc., can be completed as scheduled, and avoid incompatibility with Mainland transport networks; (r) to streamline the customs clearance procedures of both Guangdong and Hong Kong, and actively conduct studies on establishing additional control points with the co-location of immigration and customs facilities or on adopting additional measures to facilitate immigration and customs clearance, so as to facilitate the smooth and unobstructed two-way flows of people and goods; (s) to strive for the adoption of more early and pilot implementation policies in Qianhai New District; and (t) to avoid double taxation" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Ms Miriam LAU's amendment to Mr Andrew LEUNG's motion as amended by Dr Samson TAM and Mr WONG Kwok-hing be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr CHAN Kam-lam, as the amendments by the three Members have been passed, you may now move your revised amendment.

MR CHAN KAM-LAM (in Cantonese): President, I move that Mr Andrew LEUNG's motion, as amended by Dr Samson TAM, Mr WONG Kwok-hing and Ms Miriam LAU, be further amended by my revised amendment.

Mr CHAN Kam-lam moved the following further amendment to the motion as amended by Dr Samson TAM, Mr WONG Kwok-hing and Ms Miriam LAU: (Translation)

"To add "(u) to encourage Guangdong enterprises to invest in Hong Kong, and use Hong Kong for going global and making overseas investments; and (v) to improve the co-operation mechanisms to jointly develop a Greater Pearl River Delta metropolitan area" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That CHAN Kam-lam's amendment to Mr Andrew LEUNG's motion as amended by Dr Samson TAM, Mr WONG Kwok-hing and Ms Miriam LAU be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr Andrew LEUNG, you may now reply and you have two minutes 27 seconds.

MR ANDREW LEUNG (in Cantonese): President, I am very grateful to the dozens of Honourable colleagues who have spoken in support of the motion. Some Members have expressed support for it, while others have made use of the subject to make a fuss. However, I know that the Government has indeed made a lot of effort in the past. We have made the co-operation between Hong Kong and Guangdong, which is no easy task, possible and taken the first step. In this year's 12th FYP, a dedicated chapter has featured Hong Kong and Macao. By quoting the words of Andy LAU, I would like to tell the Government: "This is not the right kind of attitude nowadays." Because the Central Authorities have issued a paper which is tantamount to a decree requesting the Government to get the job done. I think the Government as a whole should adopt a proactive and

forward-looking attitude, and its current effort is an investment, an investment in Hong Kong's future. We should examine how to create a better path and develop a high value-added economy with high production value for the next generation of Hong Kong. We hope that the Secretary could ponder on these points after listening to Members' valuable views.

Of course, we proposed the introduction of tax provisions for cross-border workers. Why did we propose such an initiative? Because we have taken into consideration the prevailing international practice and precedents. If we sit here living in a dream and talk nonsense, the Government will certainly find it very difficult to get any job done. But now, 12 European countries have made relevant provisions for cross-border workers, which have been added under the provisions of double taxation. Therefore, it will be relatively easier to discuss the matter with the Government on this basis.

I hope the Government will heed the views of Members and pool our wisdom together so that it can examine how to enhance co-operation between Hong Kong and Guangdong and promote integration of the two places with a mindset that transcends the limitation of our times. Of course, integration between the two places does not mean that — as I have just said, the integration between the two places should occur under "one country, two systems" and the Framework Agreement on Hong Kong/Guangdong Co-operation, rather than the assimilation of the Mainland by Hong Kong or *vice versa*. Instead, we aim at getting things accomplished for mutual benefit. Thank you, President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Andrew LEUNG, as amended by Dr Samson TAM, Mr WONG Kwok-hing, Ms Miriam LAU and Mr CHAN Kam-lam, be passed.

PRESIDENT (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr Albert CHAN rose to claim a division.

PRESIDENT (in Cantonese): Mr Albert CHAN has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Raymond HO, Mr CHEUNG Man-kwong, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Ms Miriam LAU, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr Jeffrey LAM, Mr Andrew LEUNG, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Mr CHEUNG Kwok-che, Mr IP Wai-ming, Dr PAN Pey-chyou and Dr Samson TAM voted for the motion as amended.

Geographical Constituencies:

Mr Albert HO, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Ms Emily LAU, Mr TAM Yiu-chung, Mr Frederick FUNG, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Sing-chi, Mr Alan LEONG and Miss Tanya CHAN voted for the motion as amended.

Mr Albert CHAN and Mr WONG Yuk-man voted against the motion as amended.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 18 were present and 18 were in favour of the motion as amended; while among the Members returned by geographical constituencies through direct elections, 20 were present, 17 were in favour of the motion as amended and two against it. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the motion as amended was passed.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11 am on Wednesday, 11 May 2011.

Adjourned accordingly at fourteen minutes past Six o'clock.