

**立法會**  
**Legislative Council**

LC Paper No. CB(1)727/17-18  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/FA/1

**Panel on Financial Affairs**

**Minutes of meeting held on  
Friday, 5 January 2018, at 10:45 am  
in Conference Room 3 of the Legislative Council Complex**

**Members present** : Hon Kenneth LEUNG (Chairman)  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
(Deputy Chairman)  
Hon James TO Kun-sun  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon WONG Ting-kwong, GBS, JP  
Hon Starry LEE Wai-king, SBS, JP  
Hon CHAN Kin-por, GBS, JP  
Hon Mrs Regina IP LAU Suk-ye, GBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon Charles Peter MOK, JP  
Hon Dennis KWOK Wing-hang  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon Holden CHOW Ho-ding  
Hon SHIU Ka-fai  
Hon CHEUNG Kwok-kwan, JP

**Members absent** : Hon WU Chi-wai, MH  
Hon Alvin YEUNG  
Hon CHU Hoi-dick  
Dr Hon Junius HO Kwan-yiu, JP  
Hon CHAN Chun-ying  
Hon LUK Chung-hung

**Public officers attending** : Agenda Item V

Mr AU Ka Shing, Billy  
Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)4

Agenda Item VI

Ms Winnie NG Ching-ching, JP  
Deputy Secretary for Financial Services and the Treasury (Financial Services)

Mr TE Chi-wang  
Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6

Ms Ada CHUNG Lai-ling, JP  
Registrar of Companies

Mrs Karen HO LAU Kar-kam  
Consultant (Company Law)

Agenda Item VII

Mr Joseph CHAN Ho-lim, JP  
Under Secretary for Financial Services and the Treasury

Mr TE Chi-wang  
Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6

Miss Jeanne FUNG Yuen-sin  
Assistant Secretary for Financial Services and the Treasury (Financial Services) 6

**Attendance by Invitation** : Agenda Item V

Mr Raphael DING  
Chief Executive  
Hong Kong Institute of Certified Public Accountants

Ms WONG Wing Ting, Tracy  
Director, Admission  
Hong Kong Institute of Certified Public Accountants

**Clerk in attendance:** Ms Connie SZETO  
Chief Council Secretary (1)4

**Staff in attendance :** Mr Hugo CHIU  
Senior Council Secretary (1)4

Ms Sharon CHAN  
Legislative Assistant (1)4

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**I Application for late membership**

(LC Paper No. CB(1)201/17-18(01) — Letter dated 6 November 2017 from Hon Alvin YEUNG (Chinese version only))

The Chairman referred to the letter from Mr Alvin YEUNG and invited members to consider his application for late membership of the Panel. Members accepted Mr YEUNG's application.

**II Confirmation of minutes of meeting and matters arising**

(LC Paper No. CB(1)312/17-18 — Minutes of the meeting on 20 October 2017)

2. The minutes of the meeting held on 20 October 2017 were confirmed.

**III Information papers issued since the regular meeting on 6 November 2017**

(LC Paper No. CB(1)207/17-18(01) — Third Quarter Economic Report 2017 and the press release

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- LC Paper No. CB(1)329/17-18 — Quarterly Report of the Securities and Futures Commission (July to September 2017)
- LC Paper No. CB(1)346/17-18(01) — Administration's paper on "Prescription of Additional Markets and Clearing Houses and Prescription of Delta One Warrants under the Over-the-counter Derivatives Regulatory Regime in Hong Kong"
- LC Paper No. CB(1)359/17-18(01) — Accrual-based consolidated financial statements of the Government for the year ended 31 March 2017
- LC Paper No. CB(1)368/17-18(01) — 2016-2017 Annual Report of the Process Review Panel for the Securities and Futures Commission)

3. Members noted the information papers issued since the regular meeting held on 6 November 2017.

**IV Date of next meeting and items for discussion**

- (LC Paper No. CB(1)401/17-18(01) — List of outstanding items for discussion
- LC Paper No. CB(1)401/17-18(02) — List of follow-up actions)

Special meeting on 8 January 2018

4. Members noted that a special meeting would be held on 8 January 2018 at 9:00 am to discuss items of the regular meeting in December 2017.

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Regular meeting on 5 February 2018

5. Members agreed to discuss the following items proposed by the Administration at the regular meeting scheduled for 5 February 2018, from 9:00 am to 12:45 pm:

- (a) Briefing on the work of Hong Kong Monetary Authority;
- (b) Budget of the Securities and Futures Commission for the financial year 2018-2019;
- (c) Review of the effectiveness of the new regulatory measures to tackle money lending-related malpractices; and
- (d) Occupational Retirement Schemes (Amendment) Bill 2018.

**V Briefing on the proposed Members' Bill to amend the Professional Accountants Ordinance**

(LC Paper No. CB(1)401/17-18(03) — Chairman's paper on "Background Brief on the Professional Accountants (Amendment) Bill 2018" (English version only)

LC Paper No. CB(1)401/17-18(04) — Extract of minutes of meeting of Panel on Financial Affairs held on 6 June 2016

LC Paper No. CB(1)401/17-18(05) — Extract of minutes of meeting of Panel on Financial Affairs held on 15 November 2016)

*(The Deputy Chairman took the chair for the item as the proposed Bill under discussion was to be introduced by the Chairman.)*

Briefing on the Bill

6. The Chairman briefed members on the proposed Professional Accountants (Amendment) Bill 2018 ("the Bill") which he intended to introduce as a Member's Bill into the Legislative Council ("LegCo"). He said that the purpose of the Bill was to amend section 42(1) of the Professional Accountants

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Ordinance (Cap. 50) ("PAO") with a view to tightening up usage of specified descriptions which were similar in meaning to "professional accountant" or "certified public accountant". He pointed out that he had briefed the Panel on the Bill at the meetings on 6 June 2016 and 15 November 2016. The Bill was further enhanced with input from the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and was endorsed by HKICPA at its 45<sup>th</sup> Annual General Meeting on 14 December 2017. In view of some members' concern about the impacts of the Bill on small firms providing accounting, company or bookkeeping services, he had sought the Competition Commission's ("CC") views on the Bill, and the Commission had replied that it did not consider the Bill to have raised any competition concerns.

7. Chief Executive, Hong Kong Institute of Certified Public Accountants ("CE/HKICPA") supplemented that as compared to the Bill presented by the Chairman at the Panel meeting on 15 November 2016, the current version of the Bill had included a number of specified descriptions such as "professional accounting" ("專業會計") and "certified accounting" ("註冊會計") as they were very similar to the terms "certified public accountant" ("會計師"/"專業會計師"/"註冊會計師") which was already prohibited for use by individuals or companies not registered with HKICPA as practice units. The proposed amendments would facilitate law enforcement and protect members of the public from misleading specified descriptions similar to "certified public accountant" used by individuals/body corporate. He said that CC did not consider the Bill to have raised any competition concerns, and was of the view that the modest restriction on competition imposed by the Bill appeared to be outweighed by the need to protect persons from being misled about the qualifications of companies providing accounting services.

## Discussion

8. Upon invitation by the Deputy Chairman, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)<sup>4</sup> said that the Government would study the Bill. It was noted that the Bill would prohibit the use of a number of additional specified descriptions, characters or initials, and this might have impact on firms which were using these descriptions, characters or initials in their names as they would have to change their names after the passage of the proposed Member's Bill. He suggested that the Chairman should consider consulting the businesses being affected so that they could reflect their views timely.

9. Ms Starry LEE declared that she was a member of HKICPA. She welcomed the Bill and sought details of law enforcement actions and sanctions

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against an unqualified entity (i.e. a person who was not a certified public accountant or body corporate/firm which was not a practice unit registered under PAO) using specified descriptions set out in the Bill. She also enquired whether after enactment of the Bill, qualified accountants in other jurisdictions would be prohibited from using the term "professional accountant" ("專業會計師") in carrying out business in Hong Kong unless they were members of HKICPA.

10. The Chairman responded that the Hong Kong Police Force ("the Police") was responsible for taking enforcement against offences set out in the Bill. The Bill proposed to increase the fines for the offences under section 42(1) of PAO from level 4 to level 5, i.e. from \$10,001 - \$25,000 to \$25,001 - \$50,000. CE/HKICPA added that if it came to the knowledge of HKICPA that an unqualified entity used prohibited specified descriptions, the case would be referred to the Police who would first advise the entity to stop using the description concerned, failing which the Police would initiate prosecution. On the use of the term "professional accountant" by a qualified accountant registered in other jurisdictions, the Chairman and CE/HKICPA pointed out that under the existing PAO, a person could not use the term "professional accountant" or "會計師" in carrying on business in Hong Kong unless he/she was a member of HKICPA. Nevertheless, the use of generic terms including "accountant" was allowed. The Chairman added that a person could use the full title of the accountancy qualification obtained in other jurisdiction which typically would include the country name of the relevant accountancy body.

11. Ms Starry LEE enquired about the number of cases referred by HKICPA to the Police concerning usage of prohibited descriptions relating to the accounting profession and the follow-up actions by the Police. Mr Holden CHOW sought information on the number of convicted cases in recent years and whether the penalty imposed included imprisonment, and how HKICPA would handle non-criminal cases.

12. CE/HKICPA responded that in the past four years, HKICPA had referred a total of 44 cases concerning illegal use of terms relating to the accounting profession to the Police. According to HKICPA's understanding, the Police had successfully prosecuted nine cases, and was conducting investigations on five cases. In general, the Police would first issue advice to the party concerned before taking any further actions. HKICPA was not aware of any convicted cases resulting in penalty of imprisonment. For non-criminal cases, the entity concerned would usually take remedial actions upon the advice of HKICPA.

*(The Chairman took the chair for the rest of the items.)*

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**VI The new Companies Ordinance (Cap. 622): proposed legislative amendments to improve its clarity and operation**

(LC Paper No. CB(1)401/17-18(06) — Administration's paper on "The new Companies Ordinance (Cap. 622): proposed legislative amendments to improve its clarity and operation")

Briefing by the Administration

13. At the invitation of the Chairman, Deputy Secretary for Financial Services and the Treasury (Financial Services) ("DSFS") briefed members on the Administration's proposal to amend the new Companies Ordinance ("new CO") (Cap. 622) with a view to improving the clarity and operation of the new CO and further facilitating business in Hong Kong. She pointed out that the proposed legislative amendments aimed to incorporate new developments after the commencement of the new CO in March 2014, and to clarify the policy intent of certain provisions of the new CO or to remove possible ambiguities and inconsistencies.

Discussion

14. The Chairman enquired if the proposed legislative amendments would address all the concerns and technical issues raised by the stakeholders since the commencement of the new CO.

15. DSFS advised that the proposed legislative amendments had been formulated in light of the operational experience since the commencement of the new CO and taken into account feedback from various stakeholders received by the Government. Besides, the Government had consulted relevant stakeholders including HKICPA on the proposed amendments. The stakeholders were generally supportive of or had raised no objection to the proposed amendments.

16. In response to the Chairman's enquiry on the legislative timetable, DSFS said that the Government planned to introduce the amendment bill into LegCo in the second quarter of 2018.

17. Mr Holden CHOW sought clarification on the proposed amendments to the technical accounting and reporting provisions under the new CO. DSFS responded that under the proposed amendments, a holding company could provide the names of the directors of all of its subsidiary by one of the following



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means: (a) in the directors' report of the holding company; (b) on the holding company's website; or (c) by keeping a list at the holding company's registered office and making it available for inspection by members of the company.

**VII Contribution to the Asian Infrastructure Investment Bank Project Preparation Special Fund**

(LC Paper No. CB(1)401/17-18(07) — Administration's paper on "Contribution to the Asian Infrastructure Investment Bank Project Preparation Special Fund"

LC Paper No. CB(1)401/17-18(08) — Background brief on Hong Kong's participation in the Asian Infrastructure Investment Bank prepared by the Legislative Council Secretariat)

Briefing by the Administration

18. At the invitation of the Chairman, Under Secretary for Financial Services and the Treasury ("USFST") briefed members on the Government's proposal for Hong Kong to contribute US\$10 million (about HK\$78 million) to the Asian Infrastructure Investment Bank ("AIIB") Project Preparation Special Fund ("the Special Fund"). He advised that the Special Fund would provide grants to support and facilitate the preparation of selected projects to be financed by AIIB, and hence help the poorest members of AIIB to tackle poverty by financing technical assistance (such as consultancy services) to prepare projects for subsequent consideration and approval by AIIB. The Government would include sufficient provision in the draft Estimates for 2018-2019 for meeting the relevant expenditure.

Discussion

*Donation to and operation of the Asian Infrastructure Investment Bank Project Preparation Special Fund*

19. WONG Ting-kwong said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong supported the funding proposal. He enquired how the proposed contribution to the Special Fund had

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been worked out, and whether the contribution was regarded as a "donation". He and the Deputy Chairman expressed concern about whether Hong Kong would be required to make further donations to the Special Fund.

20. USFST confirmed that the proposed contribution to the Special Fund was a one-off voluntary donation. The proposed amount of contribution to the Special Fund was determined having regard to the donation amount of other AIIB members (i.e. China, the United Kingdom and South Korea). He stressed that contribution to the Special Fund was voluntary, and Hong Kong would not be required to make further donations. He added that the financial position of the Special Fund remained robust with contributions from various AIIB members, and the amount granted to individual applications were relatively small in comparison to the amount available in the Special Fund.

21. Mr Holden CHOW expressed support for the funding proposal. He enquired if contributions by AIIB members to the Special Fund would be put into one single account, and whether information on the respective contribution made by each AIIB members would be made public. He further enquired how the Government would strengthen Hong Kong's ties with the recipients of the Special Fund, and called on the Government to step up efforts in promoting Hong Kong's strength (e.g. availability of various professional services) to such countries. Mr CHEUNG Kwok-kwan sought details of the criteria adopted by AIIB in considering applications for the Special Fund.

22. USFST said that all contributions to the Special Fund by AIIB members would be kept in a single account, and information on the contributions would be made public as appropriate by AIIB. AIIB had devised rules and regulations on the operation of the Special Fund, and would report activities of the Fund in an annual report provided to each contributor. USFST also advised that the Government would strengthen Hong Kong's links with members of AIIB, including the recipients of the Special Fund.

23. As regards consideration of applications for the Special Fund, USFST advised that the rules and regulations of the Special Fund had set out the scope of preparatory work eligible for grants from the Fund. He added that the Board of Directors of AIIB was responsible for approving applications for the Special Fund, and had delegated authority to the President to approve grants amounting to less than US\$ one million.

24. In response to WONG Ting-kwong's enquiry about whether the proposed contribution to be made by Hong Kong would required approval of the Finance Committee ("FC"), USFST advised that the Government would include sufficient provision in the draft Estimates for 2018-2019 for meeting the expenditure of the

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proposal, and hence no separate proposal would be submitted to FC for approval. Mr WONG remarked that the Government should point this out clearly in the paper submitted to the Panel.

*Benefits for Hong Kong in joining the Asian Infrastructure Investment Bank*

25. Mr Dennis KWOK said that while he did not oppose the funding proposal, the Administration should step up its work in helping Hong Kong to tap the various opportunities arising from joining AIIB as Hong Kong had spent HK\$ six billion to subscribe shares of AIIB to become its member. He sought details of the Administration's plan in assisting the professional services sector (including lawyers and accountants) to benefit from the operation of AIIB, and organizing more promotional and networking activities in this regard. The Chairman opined that the Administration should explore the feasibility of organizing a visit for Members to understand AIIB's operation and financial development in the Mainland. Mr SHIU Ka-fai supported the Chairman's views.

26. Ms Starry LEE expressed support for the funding proposal, and called on the Administration to devise concrete measures to help Hong Kong benefit from joining AIIB. She considered that the Administration should review its work in this regard and seek improvement so that the relevant work could be carried out in a more systemic manner and on an on-going basis. Moreover, the Administration should explore how Hong Kong's membership in AIIB could help restructuring the Hong Kong economy and enhancing Hong Kong's status as an international financial centre.

27. WONG Ting-kwong enquired about the concrete benefits for Hong Kong after becoming a member of AIIB, and the expected investment return from the subscription of AIIB's shares.

28. USFST took note of members' views. He advised that among the 7 651 shares of AIIB subscribed by Hong Kong, 1 530 were paid-in shares amounting to HK\$1.2 billion (to be payable over five years starting from 2017-2018), and the remaining 6 121 were callable shares amounting to HK\$4.8 billion. On the benefits for Hong Kong in joining AIIB, USFST advised that AIIB aimed at fostering sustainable economic development and improving infrastructure connectivity in Asia. It was envisaged that the operation of AIIB would enhance the economic development of Asia and hence would eventually bring benefits to Hong Kong.

29. On the measures taken by the Government, USFST advised that the Government had organized networking activities to facilitate liaison between the management of AIIB and local financial services industry, with a view to

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facilitating them to tap the potential opportunities arising from Hong Kong's participation in AIIB.

30. As for the return from the subscribed shares of AIIB, USFST explained that given that most AIIB financed projects were infrastructure items with long payback periods, its operation was not expected to generate sizable returns in the near term. Besides, as in the case of other Multilateral Development Banks ("MDBs") such as the Asian Development Bank ("ADB"), the management of AIIB had indicated that the operating surplus of AIIB should be reinvested in other projects. Therefore, AIIB members should not look for pecuniary return from the subscribed shares of AIIB. That said, as shown in the Annual Report of AIIB, the financial position of AIIB was generally healthy with an operating surplus of around US\$ 7 million in 2016. AIIB also received AAA credit rating from the three major credit rating agencies, i.e. S&P, Moody's, and Fitch.

31. Mr SHIU Ka-fai and the Deputy Chairman enquired about the progress of discussion with the AIIB management on the proposal to establish a sub-office in Hong Kong.

32. USFST advised that the Government had actively encouraged AIIB to leverage Hong Kong's status as an international financial centre, its capital markets and abundant supply of various professionals in supporting AIIB's operation. The Government would continue to discuss with AIIB on possible collaborations.

33. In order to enable the public to better understand the benefits for Hong Kong after becoming a member of AIIB, the Chairman suggested that the Administration should compile information on the involvement of Hong Kong's enterprises (e.g. firms providing consultancy services) in projects financed by AIIB. USFST responded that the Government could check with AIIB whether the procurement information of its approved projects could be disclosed.

*Operation of the Asian Infrastructure Investment Bank*

34. Ms Starry LEE sought details of Hong Kong's representation in AIIB. The Chairman enquired whether the Government had seconded any officials to work in the management of AIIB.

35. USFST responded that the Financial Secretary and Secretary for Financial Services and the Treasury had been appointed as Hong Kong's Governor and Alternative Governor respectively in AIIB's Board of Governors. He himself also acted as an adviser to China's constituency in AIIB's Board of Directors. He explained that each constituency would appoint a director to sit on the Board of

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Directors of AIIB, which oversaw AIIB's operation. The Government had seconded two officials to work in AIIB upon the latter's request.

36. Mr SHIU Ka-fai sought details of the 24 projects financed by AIIB since it commenced operation in January 2016, including whether the projects were undertaken by governments or private firms.

37. USFST advised that AIIB had so far approved financing for 24 projects with a total commitment of around US\$4.2 billion. The 24 projects, most of which were sovereign-backed projects, covered 12 AIIB members including India, Myanmar and Pakistan. Of the 24 projects, 19 were co-financed with other MDBs, viz. the World Bank, ADB and the European Bank for Reconstruction and Development. The projects were mainly in the energy and transport sectors. AIIB had uploaded details of the approved and proposed projects onto its website.

**VIII Any other business**

38. There being no other business, the meeting ended at 12:05 pm.

Council Business Division 1  
Legislative Council Secretariat  
22 March 2018