

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 1st November 1972****The Council met at half-past Two o'clock**

[MR PRESIDENT in the Chair]

**PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, MBE  
THE HONOURABLE THE COLONIAL SECRETARY  
SIR HUGH SELBY NORMAN-WALKER, KCMG, OBE, JP  
THE HONOURABLE THE ATTORNEY GENERAL  
MR DENYS TUDOR EMIL ROBERTS, CBE, QC, JP  
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS  
N4R DONALD COLLIN CUMYN LUDDINGTON, JP  
THE HONOURABLE THE FINANCIAL SECRETARY  
NIR CHARLES PHILIP HADDON-CAVE, JP  
THE HONOUR-ABLE DAVID RICHARD WATSON ALEXANDER, CBE, JP  
DIRECTOR OF URBAN SERVICES  
THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP  
DIRECTOR OF PUBLIC WORKS  
THE HONOURABLE JOHN CANNING, JP  
DIRECTOR OF EDUCATION  
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP  
DIRECTOR OF MEDICAL AND HEALTH SERVICES  
THE HONOURABLE JACK CATER, MBE, JP  
SECRETARY FOR INFORMATION  
THE HONOURABLE DENIS CAMPBELL BRAY, JP  
DISTRICT COMMISSIONER, NEW TERRITORIES  
THE HONOURABLE PAUL TSUI KA-CHEUNG, OBE, JP  
COMMISSIONER OF LABOUR  
THE HONOURABLE IAN MACDONALD LIGHTBODY, JP  
COMMISSIONER FOR RESETTLEMENT  
THE HONOURABLE GEORGE TIPPETT ROWE, CBE, JP  
DIRECTOR OF SOCIAL WELFARE  
THE HONOURABLE DAVID HAROLD JORDAN, MBE, JP  
DIRECTOR OF COMMERCE AND INDUSTRY  
THE HONOURABLE WOO PAK-CHUEN, OBE, JP  
THE HONOURABLE WILFRED WONG SIEN-BING, OBE, JP  
THE HONOURABLE MRS ELLEN LI SHU-PUI, OBE, JP  
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP  
THE HONOURABLE HERBERT JOHN CHARLES BROWNE, OBE, JP  
DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP  
THE HONOURABLE LEE QUO-WEI, OBE, JP  
THE HONOURABLE SWALD VICTOR CHEUNG, OBE, QC, JP  
THE HONOURABLE ANN TSE-KAI, OBE, JP  
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP  
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP  
THE HONOURABLE PETER GORDON WILLIAMS, JP  
THE HONOURABLE JAMES WU MAN-HON, JP

**ABSENT**

THE HONOURABLE SZETO WAI, OBE, JP

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
MR RODERICK JOHN FRAMPTON

## Papers

The following papers were laid pursuant to Standing Order No 14(2): —

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation: —	
Pilotage Ordinance.	
Pilotage Ordinance (Commencement) Notice 1972	215
Pilotage Ordinance.	
Pilotage Order 1972 .....	216
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Public Health and Urban Services Ordinance.	
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Labour Tribunal Ordinance 1972.	
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Public Health and Urban Services Ordinance.	
Abattoirs (Amendment) By-laws 1972 Commencement Notice .....	223

Sessional Papers 1972-73: —

No 13—Housing Board Report 1971 (published on 1.11.72).

No 14—Annual Report by the Director of Civil Aviation for the year 1971-72 (published on 1.11.72).

## Government business

### Motions

**Address of thanks to His Excellency the Governor**

**Resumption of debate on motion (18th October 1972)**

*Question again proposed.*

MR Woo: —Sir, I rise to support the motion of thanks for your address and I do so, Sir, with enthusiasm and sincerity. I speak for all my colleagues when I say that the inspiring speech which you gave upon this first occasion of the opening of a new session is eloquent testimony to your ability to lead us forward in our endeavours to make Hong Kong a better place to live in and to show us "The Way Ahead". Such a speech, together with the introduction of simultaneous interpretation into Cantonese, indeed makes the opening of this year's session a milestone in the history of the Legislative Council of Hong Kong.

We applaud your programme for the future and assure you, Sir, of our support. My colleagues will have something to say on the matters raised in your speech as well as offering comments on certain other matters which they wish to raise themselves. For my own part, I shall confine my comments to certain general matters including the proceedings of this Council and the contribution which the Unofficial Members have to make.

By coincidence this is also the first occasion on which I myself speak in an opening debate as the Senior Unofficial Member of the Council. I am conscious of the responsibility which this places upon me. But I hasten to say that this is not a formal position embracing, for example, the duties of the Leader of the Opposition in Britain. I regard myself as being no more than the Unofficial who by seniority has the privilege of speaking for the Unofficial on matters which concern them as a whole. I also have the pleasant duty to preside at the meetings of the Unofficials which are regularly held to consider, prior to each meeting of this Council, the business to be transacted and the stand which the Unofficial Members intend to take.

We do not regard ourselves, Sir, as being an opposition to the Government. Indeed we consider it our duty to help the Government in every possible way to devise the most suitable laws, policies and methods of administration for this unique twentieth century Crown Colony. The Unofficials do, also, take note of public opinion on new legislation and matters of topical public concern and, where appropriate, make representations in this Council. In doing so it is from time to time necessary for us to comment upon and where necessary to criticize both draft legislation and Government policies and administration. It falls to us to prod the Official Members of this Council by means of questions and through other forms of parliamentary procedure which have been devised over the centuries to keep the Government on its toes.

This function of the Unofficials appears largely to have relapsed during the decade of the 1950's when only 12 questions were asked during a period of 10 years. Again, in the period 1960 to 1967, a

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comparatively small number of 125 questions was asked, that is to say, an average of 16 a year. Since then there has been a gradual awakening, as is revealed by the following figures for questions asked by the Unofficials:

1968	... ..	64 questions
1969	... ..	84 questions
1970	... ..	95 questions
1970 to 1971 session	... ..	137 questions
1971 to 1972 session	... ..	165 questions

These figures reveal only part of the story. They do not include supplementary questions, which have similarly increased—even to the point, Sir, where you have occasionally to rule them out of order. The size of Hansard shows a similar increase in activity as regards speeches on bills and adjournment debates. This is part of the Unofficials' contribution to closing what has been called the gap between the Government and the people. It is one of the steps which the Unofficials have taken to put themselves more closely in touch with the ordinary people of Hong Kong.

We are now aided in this task by the emergence of the UMELCO Office as the place where attention can be focussed not only on individual complaints brought to the Office by ordinary citizens but also on more general complaints and topics of public concern raised in the press or by public bodies. The UMELCO Office tries to keep a watch on matters which cause general public concern, for example by scanning the Chinese and English newspapers. In addition representations are sometimes received on bills and other matters. These matters are then drawn to the attention of the Unofficial Members.

Although there has been a substantial increase in the utilization of the UMELCO Office, many members of the public still do not utilize its facilities for drawing to the attention of the Unofficials their individual grievances against Government departments or their views on matters of public concern. The Unofficials would welcome more frequent approaches by public bodies and organizations wishing to comment on such matters and, in particular, on draft legislation. As for complaints and representations, the Office has carried out 2,907 interviews in the first nine months of this year. Reports on all cases are made by the Administrative Secretary to the Unofficial Members, and we are always ready to see members of the public.

The Second Annual Report of the UMELCO Office gives further details of the way in which the Unofficials concern themselves with public complaints and expressions of view. I would mention in

particular the setting up of a study group of Members to consider draft legislation or particular topics of public concern such as, during the year that has just ended, the new Immigration Bill, the White Paper on the Urban Council's reform and the question of Crown rents for renewable leases. In April 1972 we set up a group to discuss with various Heads of Departments their views on what steps should be taken to deal with the increase in crime. More recently, we have formed a group to study the "green" paper on Social Welfare tabled at the last meeting of this Council. Some Members will express their individual views on various aspects of that paper today or tomorrow. It is too early as yet for us to express any comprehensive overall view but we consider it to be a most useful and comprehensive blueprint for the future, and we think it is generally on the right lines.

Apart from serving on the study groups, Unofficial Members pay periodical visits to all districts in the Colony so as to keep in touch with new developments and current problems. The Public Relations Group also meets regularly twice a month with the same purpose in mind.

There is one general point of procedure which I would like to raise and that is the procedure adopted in this Council for dealing with bills. The Unofficials consider it preferable that consideration of bills should be spread over three meetings. On those occasions when it is necessary that a bill shall be passed through all its stages in two meetings, the Unofficials consider that there should always be a period of at least a fortnight between the moving of the second reading and the putting of the question on the second reading. This should be the standard procedure and should apply even if the measure is not controversial. The point is that such a practice would provide a further opportunity for the Unofficials to consider the mover's speech as well as representations which inevitably tend to reach us at the last moment.

Sir, I wish finally to refer to the Civil Service, which you referred to as "a most excellent instrument of Government". As former Chairman of the Establishment Sub-Committee of the Finance Committee of this Council for a number of years, I have the advantage of knowing a good deal about the structure of the public service and of the manner in which its duties are discharged. I share your view and am glad of this opportunity to record, on behalf of the Unofficials, our own tribute to its work. That is not to say, Sir, that reforms are not needed, particularly in the spheres of streamlining and delegation. My honourable Friend Mr BROWNE will have more to say about this. I can say that the Unofficials greatly welcome your initiative in securing the services of a prominent firm of management advisers to look generally into the questions of Government organization and utilization of staff. We also welcome the appointment of Mr Michael CLINTON

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as Deputy Colonial Secretary (Special Duties) to implement their recommendations. We now look forward to receiving details and we are anxious to know how soon it will be possible to translate these recommendations into practice. The process of decision taking throughout Government needs to be speeded up in the same way as it has done, Sir, in those matters in which you have played a personal part. If this can be done, then the vitality of the whole administration will come closer to matching the vitality of our commerce and industry. With such a combination, and your own leadership, Hong Kong can indeed look forward to yet greater progress.

Sir, with these remarks I support the motion.

MR WONG: —Sir, this is my eighth year on this Council and, by the rules of academy, I should be graduating and I hope I will.

During my eight years on the Legislative Council and eight years on the Urban Council, those two remarkable universities of social work, I have had the opportunity of keeping close to the pulse of the people. In this cross country debate, I venture to air the cogent issues of Hong Kong in the order of their acuteness. I will leave chronic issues, such as education and trade to my learned colleagues and I will leave finance until the budget debate.

Despite Hong Kong's phenomenal achievements in trade and industry, which have resulted in a rising standard of living, there are areas which call for improvement.

It is not my intention to paint a gloomy picture but, like any issue, an optimist would call a glass half full and a pessimist would call it half empty, I hope to present a balanced picture.

Hong Kong's strength lies in its weakness. This applies both politically and economically. Hong Kong is a mixture of two civilizations. Therefore, it should aim at the best of each civilization and reject the worst features of each.

Most people would agree that the first requisite in a civilized society is law and order. In Chinese culture, the number one crime is murder and number two is robbery. In western culture, it is the 6th and 8th commandment. In Hong Kong today, the top priority is still to combat crime in the form of murder and robbery. Murder statistics reveal the number of murders as follows: 1968-69, 44; 1969-70, 55; 1970-71, 85; 1971-72, 93. If we were to draw a graph we would find that, in our next financial year, we would catch up with

the murder rate of 117 overall in England and Wales in 1971 but their population is more than ten times that of Hong Kong. In robbery, the statistics are as follows: 1968-69, 1,600; 1969-70, 2,490; 1970-71, 3,480; 1971-72, 5,380. These figures compare with 6000 purse snatchings, pocket pickings and other petty personal crimes in London, a city of 16 million residents and transients. Muggings with guns or knives were so rare in London last year, they fail to rate a mention in crime statistics. However, in the first six months of 1972, muggings by girl gangs in London caused some furor.

In Hong Kong, a selected Gallup poll among 500 people taken in July 1972 revealed that 75% considered the streets of Hong Kong as not safe to walk alone at night.

I am well aware that, with the exceptions of socialist countries under a police state, crime in some other countries has also risen, perhaps due to the growing permissiveness of their societies. However, this development does not excuse Hong Kong because we believe Hong Kong should contain the best features of both cultures.

Crime in the form of robbery by knife is becoming a pattern for young thugs in Hong Kong. Crime, like a virus, unless arrested or contained is contagious and soon spreads. While the long term measures are legislative deterrents, education and community involvement, immediate short-term measures to counter it, are urgently required. I have been informed by hundreds of people that many robberies are not reported. My own investigation in the Causeway Bay and North Point districts alone also leads me to the conclusion that, because of intimidation, only one out of five robberies are reported to the police. I am absolutely convinced that even with additional recruitment, which the police and auxiliaries are carrying out, a neighbourhood watch system as could be provided by residents' associations or street tenant patrols is the solution. This is the traditional Chinese "*po kak*"—a district watch force. It is not a private army. Crime of this nature and magnitude cannot be curbed without community involvement. Hong Kong has a fine heritage. Let us not lose it in the face of pressure.

Second in importance to law and order for the common people is the cost of living. Rent is the most important component of the cost of living. With the creeping inflation that we are facing, rent and the imposition of new rates need special watching and a holding action as part of an overall economic policy. One of the reasons why inflation has not become worse is the enactment of rent control for premises under a rateable value of \$1,500 per month and the security of tenure. Generally these legislations are working out well, but there are loopholes which need to be plugged.

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The basis of reasonable rents is adequate housing. Because of Hong Kong's economic structure, which can be represented by a pyramid with a broad base, housing is the most important Government undertaking in Hong Kong. We have prided ourselves that 40% of the population is housed in Government or Government aided housing. The other 60% of the population live in private housing. Although there were 68,823 domestic units completed during the last five years which averaged 13,765 annually, this compared with 127,127 units over the previous five years of 1963-1967, which averaged 25,425 annually. Owing to the scarcity of land, private housing is not producing as it should. Furthermore, whereas in 1971 some 20.6% of the new domestic accommodation built was priced under \$30,000, the latest review reveals that this has dropped to 9.13% making low price flats further beyond the reach of factory workers or office clerks. Therefore, there is no economic reason why 60% of the population should not be housed in Government or Government aided housing if such undertaking stabilized the cost of living and therefore the labour content of the cost of production of our manufactures. We have to be very careful in this respect if we are to maintain our 21st position as a world trader. It is to be remembered that labour costs in Malaysia are one third of the cost of labour in Hong Kong; so is Taiwan and in Korea even lower. Among other reasons, rents in those countries are stable and low.

The basic reason for the pressure of housing is the low production of domestic units completed for resettlement in the urban area and in the New Territories. Let us go back five years. In 1968 it was 24,100 units; in 1969 it was 18,200 units; in 1970 it was 3,000 units; in 1971 it was 14,500 units; and in 1972 it was 1,100 units. And domestic units completed for Government Low Cost Housing in the urban areas and New Territories failed to increase in the four years preceding 1972. The five year figures are as follows: 1968, 5,500 units; 1969, 4,200 units; 1970, 6,800 units; 1971, 5,100 units; 1972, 12,683 units.

The production figures for domestic units of the Housing Authority and the Housing Society for the last five years are not encouraging except for the Housing Authority for the year of 1971 when it completed approximately 6,700 units, and there will in fact be no new flats available during 1972 and 1973.

Low cost housing is for the quick relief of people's housing problem and we must appreciate their suffering and anxiety. It must not be allowed to be bogged down in the mire of indecision and bureaucracy. I would mention two instances as examples. They are the low cost housing at Kwai Chung which was delayed for over



a year and half due to a reverse decision, and the Housing Authority project on Victoria Road envisaged eight years ago and which never materialized. One reason given was to make room for the projected "western approach" and the other was the condition of Victoria Road. I consider none of these reasons as valid in the light of housing shortage.

Although the Housing Board has recommended, as a ten year target, that 750,000 persons be housed in government low cost and resettlement housing from now on until 1976, and a little more than a million between 1977 and 1983 and because of the high price of land and the margin of profit by private enterprise put private housing beyond the purse strings of the blue and white collar class, even this Government programme is too slow and too little. However, an accelerated and larger building programme cannot be done except by a crash one.

On the question of income eligibility for Government Low Cost Housing, I have to report that the \$500 maximum income limit is now removed and replaced with a new scale commencing from \$500 per month for 4 persons and below to \$1,000 per month for a 14 person household. Although this scale removes somewhat the anomaly of discriminating against people of large families, it nevertheless fails to raise the lower limit from \$500 to \$600. It is unrealistic to assume that a family of four persons can live on an income of \$500 per month nowadays. Food already costs a family of four \$200 per month. I challenge anyone to produce a budget of \$300 that will take care of rent, clothing, transportation for four, education for two children and recreation, if any. It tends to make applicants declare their income dishonestly. Furthermore, we are making it difficult for planning purposes. I am well aware that there is a long waiting list, but the Housing Board, in my opinion, should be more concerned with policy making rather than method of operation, which is the function of Government.

Your Excellency, I welcome your proposal for the unification and consolidation of housing policy and administration. There is one problem—the housing problem. There should be one authority and one department.

Thirdly, in order of acuteness, there must be stabilization of the cost of living as well as in costs of production. When CASSELS, the Swedish economist, said stabilization is the condition of health in an economic society, he meant a comparatively smooth curve instead of violent fluctuations, and a gradual rise instead of a sharp rise. Hong Kong is fortunate by being blessed with a bountiful and low-cost

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food supply. Clothes are cheap, and transportation costs reasonable. The only problem lies in the cost of housing and we should be determined to solve it, and we readily can with a firm and steadfast resolution.

Of the four factors of production; land, labour, capital and entrepreneurship, the major problem is again land.

In Malaysia, industrial land is M\$1.00 per sq. ft. This is equivalent to HK\$2.00 per sq. ft. As the average price of industrial land in Hong Kong is \$100 per sq. ft., the cost of land is 50 times that of Malaysia. This should lead to a review of land policy and point to a special policy in opening up the New Territories and Lantau for industrial land.

Furthermore, on the cost of production it is a fact that in Malaysia, electricity is 2 Malaysian cents per kilowatt hour, equivalent to 4 Hong Kong cents, which is roughly one third of the cost in Hong Kong. Water is \$1 per 1,000 gallons, equivalent to HK\$2.00, which is 50% cheaper than in Hong Kong at an industrial rate. In the long run, in spite of our high productivity, these factors will tell in the final cost of production of our manufactured goods. This will affect our eventual position in the world market.

Fourthly, in the inflationary trend which is sweeping Hong Kong, there is the wild and unrestrained behaviour on the Hong Kong stock market, which has defied laws of economics. It is usual in other countries that normally the price over the earning ratio averages between 12 to 24 times; in Hong Kong the average ratio has exceeded 30 times, and in one instance a stock had it at 189 times.

A number of textile factory owners have said that their workmen are so involved in the stock market that their mind can no longer be on their work. Some bankers told me that bank clerks are now so haughty to their superiors that, upon being rebuked, they retorted that they would resign any time because they would make much money playing the market. Apart from investment, this gambling atmosphere is detrimental to the economy if not the culture of Hong Kong. Legislation which is imminent should be enacted without delay to protect the investing public. There is evidence that certain shares are being manipulated. One stock in real estate had only one small building. Another stock in shipping had one old ship at the time of going on to the market. Another share is known to syphon money away from Hong Kong. Control of the stock exchanges now become a necessity.

I am well aware of a quotation from a committee in the United Kingdom made by the Financial Secretary last year:

"It is . . . not easy to suggest alterations in the law to protect persons of whatever class who, in the rash hope of large profits, are prepared . . . to purchase shares in a company of which they know nothing before the flourishing and incomplete statements made by the individuals who offer them."

Hong Kong is a paternalistic society. I hope the legislation governing stocks in the stock exchanges will follow the same spirit as the Banking Ordinance and legislation government chit funds. We must protect the public, including small investors.

On future planning, we should gauge at our population growth starting at a base of 4,000,000 in 1972, by the year 2,000, which is only 28 years away, the population will be 5,200,000 if each family now consisting of 2.3 children will have only 2 children; the population will be 6,120,000 if each family has 3 children. Whether the statistics on population growth are correct with an element of immigration control or otherwise, we should plan our social, community, economic and administrative services on a population of 6,000,000 by the end of the 20th century.

So much for the quantitative aspect which will establish a rising curve for any services which we are now planning. What about the qualitative aspect of Hong Kong's civilization or culture?

On the negative side, we should aim towards the minimization of crime by enacting legislative deterrents more in line with the eastern concept rather than the western. The eastern concept is simply that harsh crimes must be curbed by severe penalties. In this respect, the communist countries have all adopted the eastern concept. Even on the western concept, what I understand is that in social contract, when an individual agrees to be a member of a state it is implicit that individual justice is no longer paramount but subservient to social justice. In a lessening degree, this applies to the maintenance of law and order against crime or to the maintenance of cleanliness against litter. In the interest of social good, the individual must suffer sometimes some injustice and inconvenience in the process, otherwise the system will not work properly.

In the administration of justice, I am well aware of the liberal reformists' view that human beings are basically good and that therefore 90% are capable of being reformed. This is idealistic and laudable, but history has shown that throughout the last few thousand years, *homo sapiens* are not an average mixture of good and evil; few rise to the heights of divinity and more than few descend to behaviour worse than animals. How are we to protect society which is our

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function? To expose our families and weaker sex to these hoodlums and thugs without sufficient deterrent is to condone crime for these bullies and cowards. The eastern concept is solidly behind heavy sentences as a deterrent and also to keep thugs away from the defenceless members of society as long as possible. This is the unanimous opinion of one hundred housewives with whom I have talked.

On the positive side, we have no national purpose or guidance on basic philosophy in Hong Kong, but we can encourage the traditional cultural and religious bodies in their social welfare and educational work more than we have in the past. Without god or ethics, the smallest temptation is more than a match for the ordinary man. This is the reason for corruption. The blend of two cultures so successfully demonstrated in the past must not be allowed to fade away in the wake of purely materialistic pursuits. If for no other reason, crime varies in inverse proportion with culture.

One word about administrative service, and for the third time about the retirement age of civil servants. I will not repeat the argument I put up before, but I would say that behind the story of our civil service which is a good one, there are blood, sweat, and tears. The 55 year age limit was fixed long ago and is not in line with modern practice. It is a terrible waste of manpower and experience, both from the viewpoint of the individual officer and government. The super-scale salaries committee has also made a recommendation that the retirement age be raised from 55 to sixty. It is hoped that this subject will be fully debated in this Council soon.

One more word about the Gross National Product as the barometer for economic activity. Since 14th March 1968, I have raised this issue no less than four times. My honourable Friend Dr CHUNG had also raised the matter on an equal number of occasions. I now understand that the Commissioner of Census and Statistics has in fact compiled an index of values from which the GNP is derived. If this is true, I hope Government will publish it soon.

With these remarks, I have much pleasure in supporting the motion before Council.

MRS LI: —Your Excellency, in order to make full use of our translation system now that we have it and give our translators more chance for practice, I will make my speech in Chinese. I hope my English-speaking colleagues and members of the public do not mind straining their ears and stretching their imagination a little bit.

*(From this point Mrs LI completed her address in the Cantonese dialect. The following is the interpretation of what she said.)*

History was made two weeks ago when you, Sir, spoke for the first time in this Council to open the new session and your speech was simultaneously translated into Cantonese also for the first time. It was an exciting and interesting afternoon for all of us, members of the audience included; exciting because you have outlined very clearly and specifically plans and projects to improve the social services in Hong Kong and thus to raise the standard of living for our people.

You have also listed some fields of service for priority and definite proposals for immediate action. Our comments and public reaction on these were invited and I would now like to express my views on some of these proposals, not necessarily in the same order of priority.

As a member of the Social Welfare Advisory Committee, I would like first of all to refer to the White Paper on social welfare which is the result of considerable preparatory thinking, discussion and consultation. The proposals contained therein, therefore, have my full support and, I hope, that of my colleagues in this Council. When the Paper is adopted by this Council, it will serve as a guideline for the expansion of social welfare services for the future.

Perhaps the most heartening feature of the Paper is the fact that it marks the coming of age of the Social Welfare Department and that Government accepts the ultimate responsibility to provide satisfactory social welfare services as fast as staff and other resources permit.

The second feature which pleased me was the emphasis on helping the disabled and the elderly which is in accordance with the Chinese culture and philosophy on the virtue of filial piety. Old age commands respect and reverence and they should be allowed to grow old gracefully and in dignity. You, Sir, asked for comments on the proposal that the allowances to the severely disabled and the elderly infirm should be provided for people in need but regardless of means. I heartily support this proposal. I am confident this privilege will not be grossly abused, because many families in Hong Kong will shoulder these burdens willingly, but the extra cost and other physical burdens on the families may mean some sacrifices from other members, such as education and proper food for the children. By providing for the disabled member, the disabled and elderly can stay longer at home where they ought to be; and the much greater expense of residential or institutional care is avoided. I hope that, in time to come, the age limit can be reduced from 75 to 70, or even 65.

My final point is that I welcome the proposed Institute for Social Work Training, not simply because I recognize the need for more trained staff in the social welfare field, but because I believe—as I

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have said many times before—that there is need for more openings for school leavers who are not academically suited to university studies but who, following more practical training, can play an important part in providing services for the people of Hong Kong.

The present tendency is that social welfare services are becoming more and more professional. The voluntary agencies should be encouraged to employ more and more professional and qualified staff, but these qualified staff must be paid adequately. I am therefore more than a little disappointed in the small percentage of increase in the total amount of subvention from year 1 to year 5, approximately 10% per year. Most agencies spend from 50% to 80% of their total expenditure on salaries and if these could be adequately subsidized, it will go a long way in upkeeping the standard and efficiency of the service in this field.

In Hong Kong, housing has become the number one problem for families. You, Sir, have won the hearts of the people when you put housing as your first priority for action. The housing programme has also been carefully outlined with the mention of work and communication for these towns which must be planned as a whole provided with schools, markets, clinics, police stations, *etc.* Therefore, your proposal to put the housing programme for the whole of Hong Kong under one Housing Department, to be responsible for the planning, administration and construction, has been accepted as the most practical and logical approach. I have no doubt that the women's point of view will be included when the new Housing Authority is constituted.

However, I have a few points I would like to mention for the consideration of the new Authority. Firstly, smaller sites for smaller communities should be favoured from the point of view of easier control and warmer community sense of belonging. Secondly, smaller units for smaller families, to cater for the young generation. Thirdly, facilities should be reserved for nurseries, hostels for young working single persons and the elderly who should not be isolated from the community in isolated institutions situated in far away hillsides and left to die in isolation. Fourthly, it is perhaps the right time for us to take another look at the merit of the proposal I made many years ago that another means test should be taken at the older housing estates of 10 years or over, in order to move them to the private sector, leaving more room for others who need housing desperately but never had a chance. I still feel that those who have enjoyed the privilege of subsidized housing for more than 10 years and prosper as a result of it, should give the next fellow the same chance. Why should these people have more right to subsidized housing indefinitely

than the others? If we can afford subsidized housing for all who need it, then this question would not arise at all, but we are still far from this target. Fifthly, and the most important of all, some form of housing scheme must be provided for retired civil servants, especially those in uniform and in the comparatively low income group. This feeling of security, that he will have a place to retire to with his family after so many long years of faithful service, will certainly go a long way to eliminate the need for corruption. Housing is the most tangible form of security in the minds of all Chinese families. Pension is only half the sad story. I am talking about a sense of security for loyal service for the man who deserves more than just a chance of success in his application for public housing, a chance he may or may not get. Unless we come up with a practical policy in housing for all civil servants, the problems of recruitment and corruption will be with us for a long time.

Youth is our investment of the future, and therefore the education of your young generation should also be considered top priority in line with housing. You, Sir, have proposed a very ambitious programme for action for the next 5 years, and I am not going to comment on the statistics, but just to touch briefly on the question of policy and system.

First of all, I feel that we need to formulate a very clear cut and wholesome education policy for Hong Kong, before we can visualize a system to implement it. For instance, for the future development of Hong Kong, we need to aim at secondary level of education for all. The first phase is for universal subsidized 3 years post primary education and the second phase is for a universal 5 years secondary level education with the second two years not necessarily subsidized, but enough places in Forms 4 and 5 plus places in technical institutes, trade schools, vocational training centres and apprenticeship schemes to take at least 80% to 90% of Form 3 students.

I leave out higher education on purpose here because the goal has been set for our two universities and the Polytechnic.

In passing, I must remind Government that there is one forgotten section of higher education that must be considered and embodied into our policy and education system in time to come: I mean the many post-secondary colleges which provide a venue for search of higher education but which are left to swim or sink.

Education must be planned as a whole and not in piecemeal and disjointed manner the way we are doing up to now. Once a policy is formulated, then a practical system can be devised to implement it step by step. Our aim at present is to provide enough subsidized places for all primary graduates by an accelerated programme

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of the so called "asymmetrical" schools, but beyond that there are no plans yet. So by the time we are ready to remove the secondary school entrance examinations at primary 6 level, it will be time to introduce another such examination for entry into Form 4 because, unless we plan for our second phase now, we are creating another bottleneck there.

All these education policies and systems should be and have been the aims and objects within the terms of reference of the Board of Education, but somehow the brains there have not been picked. It's not so much the membership or the terms of reference of the Board, but the agenda and the procedure of processing that are at fault. The key to the problem lies in the fact that the Board is seldom given the responsibility of recommending or proposing any policy or programme, for consideration of Government. I therefore welcome your suggestion, Sir, to reconstitute the Board for more effective function.

Sir, I welcome the statement you made in your speech regarding family planning that "the blessing of children should be bestowed at a rate which is planned and not profligate". After devoting 35 years of my life to the work of family planning, it is most gratifying to see the birth rate in Hong Kong fell from 4% to 1.9% in the last ten years. It is due very largely to a team of devoted volunteers, among whom are Professor Daphne CHUN, Mrs John BROWNE, Mrs Li Fook-wo, Mr Li Fook-shu, and many others too numerous to mention, the increasing support of the general public and the adequate subvention from Government.

I am very happy to hear that plans are in hand for the direct participation of the Medical Department in this field of service. This direct participation will certainly relieve a certain proportion of the financial resources and manpower of the Family Planning Association for other areas of service in the promotion of family planning.

However, I would urge that Government formulate a population policy and to review and amend all Government regulations to conform with this policy. For many years in this Council I have cited many regulations known to me to be working at cross purposes with the principle of family planning. If the public were given to understand that Government has a policy of limited subsidy, be it housing, paid leaves, tax exemptions, *etc.*, they will think twice about irresponsible parenthood.

Sir, your statement that "the punishment of a convicted criminal must be adequate to deter" expressed exactly the sentiment of the



community. It is true that punishment as a deterrent is only one of the many ways to reduce crime, but this soft approach towards criminals does not serve as an incentive to the prosecution and reporting of crimes, because the policeman who risks his life to apprehend a criminal, and the victim or the passerby who takes the trouble to appear in court as a witness, would not be too happy to see the criminal "get away with" just a warning, or a suspended sentence, or a bond for good behaviour, or put on probation. The Solicitor General did present his cases well when appealing for tougher sentences for 5 criminals in saying that "these would not be much incentive to the public. The Courts are wrong in principle if they award sentences on the basis of what is appropriate to the culprit but without regard to the public interest. The deterrent sentences are to show an example of protection of potential victims of similar crimes".

Sir, you also mentioned that "soft targets encourage crime" and I agree with you that the public must be encouraged to take more effective precaution. Recently, banks, jewellery shops and medical clinics have become the "soft targets". It is hoped that our Police Force can suggest some sort of direct or indirect alarm system found effective elsewhere.

We all agree with you, Sir, that the strongest deterrent lies in an effective, numerous and visible Police Force on the streets. I therefore fully support the measures adopted by the Commissioner to make fuller use of the Auxiliary Police, to employ more civilians in order to release trained policemen for active duty on law enforcement and to establish a Police Cadet School.

I understand that the Police Force is still about 1,700 under-strength and there has existed for a long time the difficulty of recruitment. In my opinion, the provision of adequate housing, not only during their service, but more permanently on retirement, will certainly go a long way as an extra and perhaps the most important inducement for recruitment purposes as well as for the creation of a sense of security which will indirectly serve as a preventive measure against corruption. If every policeman is made to feel that, once he is trained, he receives a reasonable salary, a living quarter for him and his family, education for his children and, when he retires, he gets his pension and a housing unit ready for him to grow old in, there will be left very little excuse for him to be involved in any form of corruption. On the other hand he has much to lose if he is convicted of corruption.

I would like to just say a few words to express my feelings about the question of gambling, since there has been a great deal of

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write ups in the press. The English press are in favour of some form of restricted and controlled gambling, namely off course betting, but the Chinese press have written against legalized gambling in general, especially in the correspondence columns, which are voices of the public.

I understand that my colleague the honourable Mr Peter WILLIAMS will be speaking on the subject. If he is concentrating on the question of off course betting by the Royal Hong Kong Jockey Club, he may find some sympathetic ears among the Chinese community for two reasons. Firstly, the Royal Hong Kong Jockey Club is a well established non-profit making organization and, secondly, all their proceeds go to support social welfare projects, especially recreational facilities for young people, such as swimming pools, youth centres and summer programmes, etc. But if he is speaking about legalization of all forms of gambling, then I am sure he is going to find very stiff opposition from the Chinese community.

The usual three arguments put forward in favour of legalizing gambling can be summarized as follows:

- (a) that Chinese are born gamblers and, since they gamble all the time anyhow, why not just legalize the various forms of gambling instead of making them criminals when caught;
- (b) that it will remove or reduce corruption; and
- (c) that it will be an additional source of revenue for Government.

These arguments and reasonings are entirely against the Chinese philosophy and way of thinking, and have never been accepted as valid by the Chinese community. It is true that many people are born gamblers, in fact it is an inborn trait which becomes a weakness among one group of people in very much the same way as drinking is to another group. To suggest that Government exploit the people's weakness as a source of revenue is undignified and objectionable. Our finance is so strong that there is no need for our Government to extract revenue from gambling and other forms of legalized vices. To believe that legalization of gambling will remove corruption is wishful thinking and naive, because illegal gambling will continue where more profit can be made through tax evasion, resulting in more corruption and more strongly organized Mafia-type crimes, not to mention the socio-economic effect on those members of our society who cannot afford to gamble their entire house-keeping money away and so would have to resort to stealing and robbery on the streets.

To encourage the population to gamble openly is to invite trouble in more ways than one, and I would urge Government to think twice on this subject.

Sir, with these remarks, I support the motion.

MR WANG: —Sir, I would like to begin by giving my overall support to the pattern of educational facilities, as summed up by Your Excellency in your speech, as our immediate goal. In the field of primary education, I share the view expressed ever so often in public that there is much room for improvement. There are some who would put the blame on the weakness of the bisessional system that we have today, but I'm afraid we have to admit that this system is here to stay. Simple arithmetic shows that with over 600,000 children of primary school age, to place them all in mono-session schools we would need to provide 300,000 more places or 300 more school sites. I suggest therefore that we might be wiser to concentrate all our efforts on exploring ways of improving and supplementing the functions of existing schools, such as the introduction of more practical training and the encouragement of keener participation in extra-curricular activities. In fact, the bisessional system should allow plenty of scope for such activities if the time left over in the free part of the day is better utilized. A good number of schools have been successful in putting this principle into practice. Greater effort and encouragement by way of financial assistance plus the provision of staff would go a long way to help each school to attain its goal. This is the appeal I would make to Government.

Nevertheless the chief stumbling-block to any improvement of primary education is the pressure exerted by the competitiveness of our secondary school entrance examination, and the sooner we can do away with it the sooner we shall be able to improve primary education to a really significant extent and make life easier for all—the parents, the pupils and the teachers.

The competitiveness of this examination is an inevitable consequence of the shortage of places in post-primary schools and this alone underlines the urgent need to provide sufficient places for all our primary school leavers at the earliest possible date.

Indeed the size of the operation in this field alone is not to be under-rated. It requires the provision of 184,000 places in Forms 1 to 3 in addition to those now available; and more places in the upper forms and for pre-vocational and technical training, not to mention higher education, are also urgently needed. We require therefore to find some way to provide them in the shortest possible time, and here again

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with the limited number of sites readily available we must get our priorities right. Personally, I contend that priority for the use of all available sites should be given to the building of schools for technical and prevocational training, a field in which we are dragging far behind, and I agree with the Government's view that if we are to be able to provide school places for all children up to the age of 14 at the speed that the problem merits, there is no alternative but to extend the bisessional system to this level; for the other alternative would mean a delay of at least another ten years even if it were at all possible to find and make ready enough sites for the erection of some 150 additional schools—or even more, if we take the anticipated growth of our school population into account. No one with the welfare and best interests of our young children at heart, particularly those below the legal age for industrial employment, would want to deprive them of their rightful claim to school places. It would not be in line with social justice for half of these children to be kept out of school merely for the reason that it would be better for the other half to have full day sessions.

Sir, I believe it is clear that we all want to see the provision of these additional 185,000 places achieved at the earliest possible date. But we must not lose sight of the fact that to do this a very much accelerated expansion of teachers training programme is required. The shortage of trained teachers at present has already caused serious concern among all who care for the quality of education, and here we have just recently been cautioned in a speech by Professor HENDERSON. I must point out here that we cannot be satisfied with a mere increase of 2,000 certificated teachers by 1974. I would urge Government to give top priority to the expansion of teachers training facilities both in our colleges of education and in our universities.

On medical, with the hospital building programmes now being carried out, it is true that we should now emphasize the consolidation and improvement of the quality of services and the better utilization of the existing beds in both Government and subvented hospitals. I would like just to refer to two aspects of this service today.

Our emphasis now should be on the development of an extensive network of clinics for the convenience of residents and workers in each district. Effective clinical service will go a long way to enable light ailments to be attended to and hidden diseases to be spotted at an early stage before they develop into serious illnesses, thus minimizing the need for hospital treatment and hence the demand for more hospital beds.

Anxiety of our parents about the dental health of their children has long been expressed. This has been due to the shortage of trained

dental nurses and qualified dentists in Hong Kong. There are very few dental clinics here and the few that we have are not yet adequately staffed. I am very glad that Government has recognized the need to develop this service and is planning to establish a school dental health programme. It is very welcome news that the establishment of a school for training dental nurses is in the pipeline. I hope that Government will also go into the question of the training of dentists. If it is not feasible to provide such a course in one of our universities, I would urge that a greatly increased number of scholarships or bursaries be given to encourage our young people to be trained abroad.

I would like to refer now to the draft White Paper “Social Welfare: The Way Ahead”, about which you spoke, Sir, in your address. I shall restrict my comments to certain aspects of these proposals.

When I spoke in this council in the budget debate earlier this year, I drew attention to the need to provide better recreational opportunities for the young and to look more carefully at the needs of the aged. I am very pleased, therefore, to see that some of the main areas of development in social welfare are to be in these fields.

The Social Welfare Department is not the only department involved in the provision of community and youth services. But it is certainly a very important one. I give my full support to the proposals in the White Paper for expanding the scope of the present community and youth officer scheme. I am sure these officers can play a very useful part at the most crucial level of community work—that of working with families and individuals. Similarly, I give my full support to the proposals for expanding the present network of community centres. This is a practical and useful way of helping to improve the quality of life in our communities. I only hope that Government will implement these proposals as quickly as is practicable.

No less warmly do I welcome the proposals to offer assistance to the disabled and the elderly. This is undoubtedly one area where we need to make more provision. And in answer to the question which you raised yourself, Sir, I am in full agreement with the suggestion made in the White Paper, for I think it is very right that the proposed disability and infirmity allowance scheme should operate without a means test. I realize that at first sight this may seem a rather dramatic departure for Hong Kong, but this is a new field of public assistance that we are launching.

The scheme, as I see it, should be simple and easy to operate; should take account of the feelings of those whom it is designed to assist—that is to say, of their sense of pride and honour—and should be a means of encouraging rather than discouraging this deserving body

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in our community in their efforts to remain an active and useful part of it.

On reflection, it must, I think, be admitted that a means test, besides being at best inflexible and tedious, entailing considerable expenditure of labour time and money in its administration, would be likely to have a damaging and depressing effect on the very people we aim to cheer up. A very old or disabled person is often very sensitive and one would not wish to ride roughshod over his personal pride, while at the same time it must be apparent that the actual needs of such an individual comprise more than the need to survive. They include the need for respect, sympathy and concern.

I wish to speak now on the subject of community involvement, and here I refer mainly to the mobilization of responsible citizens for the benefit of each neighbourhood, and a good example of this approach, as you, Sir, have pointed out, is those 74 area committees embracing some 40,000 voluntary workers in the "Keep Hong Kong Clean" Campaign. The organizers have realized that the mere statement of objectives, even when combined with Colony-wide propaganda, is inadequate. To achieve the desired result there must be working groups to tackle the task in every street, every estate, and so on.

These should be a similar approach to the question of local community involvement in many other matters such as crime, traffic, fire-fighting, environmental hygiene and even the problem of schooling and other social services. That is to say, for each of these activities it would be helpful to have a committee for each area, consisting mainly of local people matched by a delegation of officers from their respective departments who would be able to sit round the same table to discuss ways and means of improving the service in each field and neighbourhood.

It is through a sense of community involvement that the community would acquire a sense of participation and a greater sense of belonging.

The present inability of the man in the street to enjoy any meaningful relationship with Government officials is indeed an illustration of the gap between the Government and the people. It is a mistake to think, Sir, that this is merely an information gap. The steps being taken to close the information gap and provide for a flow of information between Government and the community are excellent, but they do not touch the real nature of the gap. What is needed is some arrangement whereby the views and needs of the people in the neighbourhood can be translated into action through their own involvement. Any improvement of the quality of life depends upon

the fostering of such responsibility. Involvement must replace apathy, and action against irregularities must replace the passive acceptance of practices which are wrong.

The first day of November 1972 has a special significance and I hope it will prove to be a date in our history which will long be remembered as the inauguration of an ever-clean Hong Kong. As Your Excellency so rightly said, when this "Keep Hong Kong Clean" Campaign has succeeded, it will have done so as the result of a concerted community effort and thus it can be said also to mark the success of an experiment in community involvement. I should like to conclude therefore with my very best wishes that it will turn out to be the success that it has to be.

Sir, I support the motion.

MR BROWNE: —Sir, like my colleagues, I support the proposals that you have outlined for building more housing, expanding secondary and technical education, and improving the social services.

The capital cost of all this will be spread over a number of years; nevertheless the total bill is going to be enormous and larger than any figure we have previously contemplated. Once we have built these new schools, colleges and hospitals we are going to have to find the recurrent cost: there can be no turning back so we do not have all that much room for manoeuvre in financial matters.

When one looks around the world and sees so many countries in financial difficulties, we can be thankful that our economy has been, and is at present, in good shape. I hope that our economic expansion will continue—but we must cut our coat according to our cloth. I am in favour of going ahead with all the plans for expansion just as fast as we can afford to do so.

No doubt my honourable Friend the Financial Secretary will be looking for ways to increase revenue in the coming years; but in my view we cannot afford to introduce fiscal measures that will disturb the business climate that has enabled our economy to develop and thrive, and made Hong Kong into an important international, industrial and commercial centre.

With this high capital and recurrent expenditure facing us in the years ahead, there is even more need for economy in Government spending. I think all of us look forward to hearing the outcome of the management consultants' survey that is now being carried out, and we hope that, by decentralizing and streamlining, the load at the top can be better spread. I hope that a determined and sustained effort will be made in all Government departments to increase productivity.

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I have long felt that Government needs a properly staffed O. & M. department which can be used at the initiative of the Finance Branch to examine the work done by different departments, and to review their existing establishments. This would be in addition to the studies that are now carried out by the present O. & M. section when a department asks for additional staff. I wouldn't like these remarks to be misunderstood. Let me make it clear that I believe we are very well served indeed by the public service—but the total cost is such a large slice of our annual expenditure that we must introduce modern techniques to try and keep its size and its cost down.

Turning briefly to housing, I know that Government and the Housing Board have given much thought to the income eligibility criteria, and I realize that there are difficulties in introducing a means test. Nevertheless, the point just made by my honourable Friend Mrs Ellen LI is very valid, for it is surely wrong that Government should be housing, for a rent of a few dollars per month, people who own one or two flats somewhere else. People, as landlords, are collecting a commercial rent of perhaps several hundred dollars, while at the same time genuinely deserving cases are still on the waiting lists for housing. I shall be interested to hear whether the new Housing Secretary has in mind any way to deal with this difficult problem.

Today is the 1st November, and the official start of the "Keep Hong Kong Clean" Campaign. All of us are solidly behind the effort to clean up Hong Kong, and I do compliment Government, the Urban Council and the USD on the way this massive problem is being tackled. There can be absolutely no difference of opinion on the need to clean up the garbage but, as you, Sir, said, environmental pollution is a much more controversial and complicated subject. Some extremists, I am told, would like to stop the smoke rising out of every factory chimney. Pollution may be a dirty word; but so is poverty. I support the commonsense approach to this problem that Government is adopting, and let none of the enthusiasts forget that we are a big industrial complex operating in an increasingly competitive world. I am therefore in favour of building an oil refinery somewhere in Hong Kong, subject of course to sensible arrangements to control pollution.

Like my colleagues, I heartily endorse the new policy of joint planning between the Social Welfare Department and the voluntary agencies concerned. This is a great step ahead. We have a unique and priceless asset in Hong Kong in our voluntary agencies; over the last hundred years these agencies have often taken the lead in providing basic social services, and the enthusiasm and dedication of so many individuals who give their valuable time without charge just cannot be



measured in financial terms. I do hope, therefore, that Government will nurture the voluntary organizations and perhaps have a new look at the interface between Government and the agencies, for I know that sometimes they have felt frustrated due to red tape, occasional lack or delay in Government response, and real worries about their financial position.

The joint planning exercise which has clearly been so successful in producing this new 5-year social welfare plan will, I hope, now be applied to other departments, particularly the Medical and Educational Departments, so that equally valuable contributions can be made to cover all the other aspects of the social services that are not included in this White Paper.

I support my honourable Friend Mrs Ellen LI in her welcome of the inclusion of family planning as a Medical Department service. This is great news and I trust that Government will now take a further step forward and formulate a comprehensive population policy. Such a population policy should require:

firstly, that family planning services are made really widely available;

secondly, that restrictive legislation be amended;

thirdly, that family life education, including sex education and general preparation for marital and parental responsibilities, should be included in the appropriate school curricula; and

fourthly, that family planning and population education should form part of the training courses of nurses, teachers, social workers and others.

I am sure that it is in the public interest that a really comprehensive programme is introduced. This should be organized in such a way that it becomes difficult for people to avoid attaining reasonable competence in family planning by the time they need it.

Now, Sir, a few words about the interface between Government and the people, about which so much has been said and written in recent years. There is no doubt in my mind that communications have improved tremendously since the introduction of the CDO scheme, but I do hope that Government will keep up the enthusiasm and impetus of this scheme and not starve it of competent officers.

We were glad to hear of the appointment of Jack CATER to the new post of Information Secretary, and I hope this will further improve things. We know problems have arisen between the Press and GIS and I hope that Government departments will try and do more to project themselves, and their work, to the community. There is room,

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too, for improvement on the part of the Press, for some of us have met reporters who are woefully ignorant of Government policy and who, on occasions, have not bothered to do their homework. So let's hope that a new effort by both the GIS and the Press will lead to better communication and greater appreciation of Government's plans, problems and achievements.

Finally, Sir, on the subject of gambling, I would like to assure my honourable Friend Mrs Ellen LI that not all Europeans are in favour of legalizing it. I am dead against introducing casinos in Hong Kong; but I think that there may be a case for extending the Jockey Club betting facilities off the course. On that other popular form of gambling in Hong Kong—and I refer to the stock exchange—I hope that all the legislation now in draft will come before this Council before the end of this year, or at any rate early next year.

Sir, I support the motion.

4.11 p.m.

HIS EXCELLENCY THE PRESIDENT: —Perhaps at this point honourable Members might like a short break. Council will accordingly resume after 15 minutes.

4.27 p.m.

HIS EXCELLENCY THE PRESIDENT: —Council will resume.

DR CHUNG: —Your Excellency, like many others, I listened to your address, Sir, two weeks ago with much hope and admiration. Your address was not only wide ranging but gave long term plans in many important fields and has won unprecedented praises and acclamations even from many anti-Government critics.

For over two decades, Hong Kong has been suffering from acute housing shortage. Many people have been and are still living in what we call "pigeon-holes". They have no living or sitting areas and it is not uncommon for 25 or more people sharing one kitchen cum lavatory. Some are even worse off and live in squatter huts which are so vulnerable to rain and strong wind let alone typhoon and rainstorm. More than 45% of our 4 million population are at present living in housing built by the private sector. Many of them are spending an absurdly high percentage of their income on housing and, even then, their standard of accommodation is very low. There is no dispute that housing is one of the most pressing problems in Hong Kong and we people of

Hong Kong are greatly appreciative of the ten-year housing target as announced by you, Sir, in your address. This plan not only has my full support but, I believe, has the support of almost every citizen in Hong Kong.

As a small contribution towards the success of this laudable massive 10-year housing plan, I wish to make three points for consideration by Government. First, it is about the standard of accommodation. It is understood that each person would be allocated 35 square feet which is the present standard used in low-cost housing and in the latest resettlement housing. This standard is acceptable today but, to use your words, Sir, in a city of rising standards and rising expectations it is conceivable that the standard of 35 square feet per person requires improvement from time to time. This is important if we wish to avoid what some experts call the mass production of future slums.

My second point on this 10-year housing target concerns the priority for allocation of housing. The present method of allocation on first come first served basis seems just and fair, but has a great inherent drawback. It does not relate location of work with location of residence. As a result, those people who moved into their new homes of a new township have usually to travel long distances and spend much time in commuting between home and work. On the other hand, those industrialists who bought sites and erected factories in the new township more often than not discovered that their employees were not allocated housing in nearby Government estates and have to travel long distances and spend much time to go to work. A major improvement would be achieved if allocation of housing could be made by matching location of work with location of housing for the applicants. This approach will not only minimize the reluctance of potential inhabitants and potential factories to move out to new townships in the New Territories but will also reduce demand for the already over-taxed public transport particularly during rush hours.

My third and final point on housing is concern over productivity in our building construction industry. During the past five years, labour wages in some of our export manufacturing industries like the building construction industry have doubled. However the export manufacturing industries have made great strides in labour productivity to offset increases in wages, thus effecting relatively small cost increases and maintaining the competitive position in world markets. Unfortunately, this cannot be said for the building construction industry. For the same period of five years, building construction costs have nearly doubled showing little or no progress in labour productivity. This was, in my opinion, mainly due to the fact that

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no building contractor lacked work or, more accurately to say, could cope with the increased business and therefore no building contractor had any incentive or need to improve labour productivity.

Since Government is the largest customer of the building industry providing housing for 1.6 million people, it is a pity that no attempt has been made to provide effective encouragement to building contractors for improvement of productivity. Compared to the export manufacturing industries, mechanization in the building industry has been minimal during the past decade. This unsatisfactory situation should not be allowed to continue. Government must be able to find means to check such inefficient utilization of public money. I cannot accept the view that labour wages in the building industry in Hong Kong are still low and nothing can be done until the wages have increased further to a level when a new system of building construction could be economically introduced into Hong Kong. Certainly some improvement in labour productivity can be made to offset the sharp rise in labour wages and arrest the rapid increase of building costs. It is in the public interest for Government to take the initiative in this important field.

Sir, whilst I fully endorse the massive housing target, the ambitious social welfare development, the great expansion in secondary education, and a long programme of major public works such as the High Island Reservoir, the desalting plant, the Airport development, *etc.*, I share your view, Sir, that our prospects for social progress depend on our ability to maintain a high rate of economic expansion. As we lack natural material resources, our income must come mostly from our foreign trade and in particular exports of our manufactured products and services.

Although Hong Kong's domestic exports continue to grow, the rate of expansion showed an unfavourable trend of slowing down. The growth rate is at present about 10% as compared to 11% last year, 17% in 1970, 25% in 1969 and 26% in 1968. Although world trade has been expanding rapidly and during the decade of the 1960's increased by almost 1½ times, it is probably true to say that real free trade has been stagnant or, in fact, shrinking. It is increasingly difficult to separate economics from politics and Hong Kong, lacking political bargaining power, will find itself at a grave disadvantage in world trade relations. The recent unfair treatment by Japan on Hong Kong is a case in point. Notwithstanding Hong Kong's imbalance of trade with Japan to the tune of 10 to 1 in Japan's favour, Japan has seen fit to discriminate against Hong Kong in the UNCTAD generalized system of preference for manufactured products in favour of Hong Kong's keenest competitors. Another good case in point is the French

attitude towards Hong Kong. For over 12 years France has imposed unreasonable quotas for practically all Hong Kong products—an action which is contrary to the principle of GATT. Even in the USA, long known as the champion of the free trade principle, we see an increasing reversion to protectionism, albeit for domestic politics or recently known as “negative nationalism” rather than external political reasons. The effect, however, is the same insofar as external trade relations are concerned. The world is closing in and we must find ways and means to keep the world markets open to our goods. Foreign trade is our life-blood without which no social progress can be made. Since the UK Government is handling our foreign affairs, we must impress upon the British Ministers (for example, Sir Alec DOUGLAS-HOME, the Foreign Secretary, who is coming here tomorrow) that as far as trade relations are concerned, first, they should use their good offices to ensure that Hong Kong be treated fairly and justly by our trading partners and, secondly, the UK Government should not set any bad examples of its own for other governments to follow to the detriment of Hong Kong's economic progress.

Normalization of relations between China and the Western world, and in particular improvement of Anglo-Chinese relations, are no doubt to Hong Kong's advantage in political stability. On the other hand, Hong Kong views with some anxiety the challenge in world markets that Chinese manufactured products will pose. China has proved that it can produce goods of comparable quality (though, perhaps, of less suitable design and packaging and with less reliable delivery) at selling prices which our manufacturers can hardly match. The inroads China has made in the middle East and African countries, and is making in Canada and some other western countries, are quite disconcerting.

Domestically, we are faced with rapid wage spiral and accelerating cost inflation. In order to appreciate this important problem in industry, may I ask honourable Members to imagine for a moment that we are operating an industrial undertaking. Five years ago at the end of 1967, we were paying our workers an average of about \$11 for a day's work of 9 hours. Today, the same workers are receiving from us a daily wage of \$20 for only 8 hours work. If there is no rise in labour productivity over this period, our production would be down by 11% and our labour cost up by more than double. This huge increase in labour cost is further aggravated by significant rises of rental, management salary and raw material prices. I am sure honourable Members will agree with me that this situation would pose a major and cogent problem for any management and, more particularly, for management of those industrial undertakings which are geared for export and for earning Hong Kong's living. These export-oriented factories have to compete against products made in many other low-cost countries where the rate of cost inflations is very much lower.

**[DR CHUNG] Motions**

Honourable Members have heard earlier on this afternoon an eloquent speech by my honourable colleague Mr Wilfred WONG about the extremely high cost in the various factors of production in Hong Kong as compared to some other countries in this region, and I don't want to repeat it here. Under the obtaining circumstances, there are three possible or obvious alternatives for these export-oriented factories in Hong Kong; first, to bow out of competition, secondly, to off-set the rise of labour costs through improvement of labour productivity, and thirdly, to avoid direct competition with low cost products by trading up the quality and technology ladder. Both the latter two approaches require technical manpower and, therefore, the need for technical education and industrial training is evident if Hong Kong is to continue to raise labour wages and hence living standards on the one hand and to remain competitive in world markets on the other.

It is with this background that I join many others in trade and industry in welcoming the Government's plan for the expansion of technical education at various levels and in particular your statement, Sir, about the expansion of the Polytechnic and the provision of five additional technical institutes by 1980 with two to open in 1975. The Polytechnic Board is very much conscious of its responsibilities and is doing its utmost to help the Polytechnic Director to achieve the target set by the University and Polytechnic Grants Committee. It is envisaged at this stage that the major hurdle in the development of the Polytechnic and the Technical Institutes would be the recruitment of technical teachers. Both the Polytechnic and the five technical institutes combined will need to recruit around 1,400 qualified teachers specialized in various branches of technology, business study and management science. Even with this total requirement spread over a number of years, the recruitment work will certainly be difficult and frustrating.

Sir, turning to the aspect of industrial training, many people in commerce and industry were rather surprised not to hear any reference in your address about industrial training and especially about Government's decision on the final report of the Industrial Training Advisory Committee. Industrial training and technical education are two different things but are complementary to each other. Industrial training like technical education covers a very wide field both horizontally in various skills and vertically at different levels. The development of technical manpower would not be complete unless there is proper balance of education and training. I therefore urge Government to give serious consideration to the various industrial training proposals made in the ITAC's final report.

Finally, Sir, I wish to say a few words about labour. During the past five years, labour has been sharing quite a substantial amount of fruits of success in our economic and social development. In many industries, labour wages have been doubled and labour conditions much improved. For example, legislation for reduction of hours of work from 60 to 48 hours per week and one regular rest day every week was introduced during this period. Furthermore, the first five-day week for factory workers has appeared.

However, there is one aspect of labour entitlement or labour rights which Hong Kong has so far not attempted seriously to legislate. I mean severance pay on redundancy. As my honourable Friend the Commissioner of Labour is aware, a large percentage of our labour-management disputes in recent years has been due to compensation on redundancy. I am sure honourable Members will agree with me that it is only fair and just to pay certain compensation to a worker who has been working for a particular employer for a number of years and who is fired by the employer through no fault of the worker. At present, there is no legislation specifying the amount of redundancy pay which is fair to both employers and employees. Under these circumstances, it is natural that workers try to claim as much as they could whereas employers tend to pay as little as possible. This kind of confrontation between labour and management, which will not do Hong Kong any good, can be greatly reduced if there is legislation on redundancy payment. In July last year I made a similar appeal in this Council and the then Commissioner of Labour gave a very promising prospect. Now more than a year has elapsed and there is no sign of it nor is there any indication from Government.

Sir, if we talk about social security or social justice, I must say that redundancy payment will certainly be high on the list. Let us imagine an employee who has worked for a particular employer for, say, 20 or 30 or even 40 years and due to some reasons his or her service is terminated by the employer though he or she has done nothing wrong. According to the Employment Ordinance, the maximum liability of the employer is to give that particular employee a one-month notice or one-month pay in lieu of notice. Some progressive employers do have some kind of severance pay scheme on redundancy but the majority of employers in Hong Kong, I must say, do not have any provisions of this nature. Since there is in Hong Kong no effective union organization genuinely working for the general good of labour, it is a prime responsibility of Government and of this Council to see that labour rights and entitlement would not be infringed and that labour's weakness would not be exploited by some unscrupulous employers. I therefore urge Government once again to give higher priority on legislation relating to compensation on redundancy.

With these remarks, Sir, I have pleasure in supporting the motion.

*Motion made.* That the debate on the motion be adjourned—THE ATTORNEY GENERAL (MR ROBERTS).

*Question put and agreed to.*

### GOVERNMENT LOTTERIES ORDINANCE

THE FINANCIAL SECRETARY (MR HADDON-CAVE) moved the following motion: —

It is hereby resolved that approval be given to the appropriation, by way of grant under section 6(4) of the Government Lotteries Ordinance, of the amounts specified in the first column of the Schedule, to the organizations specified opposite thereto in the second column of the Schedule, for the purposes specified opposite thereto in the third column of the Schedule.

#### SCHEDULE

<i>Amount</i>	<i>Organization</i>	<i>Purpose</i>
1. \$ 367,000	Hong Kong Red Cross Society	To purchase a vehicle to serve as a Mobile Blood Collection Unit.
2. \$ 91,578	Young Women's Christian Association	Expansion of Youth Centre at Kennedy Town.
3. \$ 200,000	Tz'u Te Home for the Aged	Construction of a Home for Aged Persons.
4. \$ 30,000	Christian Faith Hope Mission	Provision of a day nursery in Sau Mau Ping.
5. \$ 30,000	Gospel Preaching Group of Overseas Chinese Christians	Provision of a day nursery in Sau Mau Ping.
6. \$ 150,000	Hong Kong Society for the Blind	Provision of a cargo lift for Tokwawan Workshop for the Blind.
7. \$ 54,000	University of Hong Kong	Extension of the Child Development Survey.
8. \$ 60,000	Salvation Army	Provision of a day nursery at Wah Fu Estate, Aberdeen.
9. \$ 60,000	Tang King Po School	Equipment and alterations to the Trade Section.
10. \$ 29,580	Lutheran World Federation	Rooftop expansion of Lei Cheng Uk Friendly Centre.
11. \$ 40,280	Precious Blood Sisters	Renovation of nursery at Un Chow Street.
12. \$3,000,000	Hong Kong Council of Social Service	Erection of a new headquarter building.



He said: —Sir, the purpose of this resolution is to seek approval for the allocation of 12 grants from the Lotteries Fund. These grants have been recommended by the Social Welfare Advisory Committee, the total sum of money involved is \$4,112,838. Under section 6(5) of the Government Lotteries Ordinance, the prior approval by resolution of this Council is required for the allocation of grants from the Lotteries Fund.

Now, Sir, as regards the 12 items specified in the Schedule to the resolution: item 7 concerns an experimental project of a limited duration; items 1 and 6 are for purchases and replacement of equipment; all the remaining items are for capital works. Honourable Members of Finance Committee have been provided with full details of each item in an information paper recently circulated. All the items come within the scope of section 6 of the Lotteries Ordinance which defines the purposes for which allocations from the Lotteries Fund may be made; and the Governor has, under section 6(4) of the Ordinance, approved the social welfare services and projects concerned as being worthy of assistance from the Lotteries Fund.

If this resolution is passed the balance remaining in the Lotteries Fund will be approximately \$6.6 million compared with the balance as at today of \$10.7 million.

*Question put and agreed to.*

#### **First reading of bills**

**MAGISTRATES (AMENDMENT) (NO 2) BILL 1972**

**PROBATE AND ADMINISTRATION (AMENDMENT) BILL 1972**

**COMPANIES (AMENDMENT) BILL 1972**

**BUILDINGS (AMENDMENT) (NO 2) BILL 1972**

*Bills read the first time and ordered to be set down for second reading pursuant to Standing Order No 41(3).*

#### **Second reading of bills**

**MAGISTRATES (AMENDMENT) (NO 2) BILL 1972**

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of: —"A bill to amend the Magistrates Ordinance".

He said: —Sir, by section 104 of the Magistrates Ordinance, an application to a magistrate to review his decision must be made within 7 days. He may also, on his own initiative, review his decision within

[THE ATTORNEY GENERAL] **Magistrates (Amendment) (No 2) Bill—second reading**

the same period. By section 105, an application to a magistrate to state a case has to be made within 7 days after he gives his decision.

This period has proved in practice to be too short, since it allows insufficient time for the record to be typed and for the case to be properly considered before a decision is taken as to whether or not a review should be sought or an application made for a case to be stated.

Accordingly, the object of this bill is to extend the period from 7 days to 14 days in all cases. It is perhaps worth noting that 14 days is the period within which a notice of appeal from a magistrate's decision has to be given.

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).*

*Explanatory Memorandum*

The amendments in clauses 2 and 3 provide for the extension from 7 to 14 days of the period within which—

- (a) an application may be made to a magistrate to review his decision;
- (b) a magistrate may, on his own initiative, review his own decision;
- and
- (c) an application may be made to a magistrate to state a case.

**PROBATE AND ADMINISTRATION (AMENDMENT) BILL 1972**

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of:—"A bill to amend the Probate and Administration Ordinance".

He said:—Sir, this bill has two objects. Firstly, it will correct an oversight by empowering the Official Administrator to transfer to general revenue the unclaimed balance of an estate which he had administered under the former Probate and Administration Ordinance which was repealed in October of last year.

Secondly, the bill removes the obligation to pay from general revenue interest on the unclaimed balance of an estate which has been paid into the general revenue. Money paid to a private person in such circumstances would not bear interest and there is really no reason why the Government should be obliged to pay. The Government is, after all, in these circumstances merely holding the money until the rightful owner claims it.

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).*

#### *Explanatory Memorandum*

This Bill amends the principal Ordinance in two respects. The amendments to sections 23A and 23B effected by clauses 2(a) and 3 will enable the Official Administrator to pay into the Treasury or into a Government account, and ultimately to the general revenue, the unclaimed balance of any estate the administration of which he has been granted, whether under the principal Ordinance or the (repealed) Probate and Administration Ordinance.

Clause 2(b) deletes section 23A(2) of the principal Ordinance, which provides that interest is payable on the balance of an estate paid into the Treasury which exceeds five hundred dollars.

### **COMPANIES (AMENDMENT) BILL 1972**

THE FINANCIAL SECRETARY (MR HADDON-CAVE) moved the second reading of:—"A bill to amend the Companies Ordinance".

He said:—Sir, this is the first of several bills which are designed to give effect to the recommendations of the Report of the Companies Law Revision Committee on the Protection of Investors. Its object is to lay down a better legal framework than we have at present for the presentation of *prospectuses*, when shares or other securities are offered for sale to the public or are placed privately on a stock exchange. The other bills to follow in due course will deal with *securities*—which will include, among other things, the regulation of the operations of stock exchanges—*unit trusts* and *mutual funds* and *take-over bids*. All these four bills are in an advanced stage of preparation.

[THE FINANCIAL SECRETARY]      **Companies (Amendment) Bill—second reading**

Before dealing with today's bill, Sir, I must make three preliminary points: *first*, I make no apology for the fact that this bill is being introduced into this Council more than a year after the finalization of the report to which, in part, it seeks to give effect. The Hong Kong economy is one which thrives on free enterprise and, when the Government makes proposals which interfere with the operations of the market mechanism it behoves us to ensure that what we are proposing is in the broader public interest and that the rules laid down will improve, and not simply impede, the way in which the market mechanism operates. We are no believers in control for control's sake and we have no intention of waking up one morning to discover that we have drifted into a largely controlled economy.

*Secondly*, contrary to what some of our less responsible critics have tried to claim, it is not a simple task to consider all the recommendations in the Report and, where they are acceptable, to translate them into the precise language of legislation. It is, in fact, a difficult and time consuming task and it is important to avoid making mistakes.

*Thirdly*, this bill and the others to follow are not being introduced in any sense of panic. On the contrary, they are being brought forward after careful and dispassionate consideration. Hong Kong's financial sector is essentially healthy, buoyed up as it is by the strength of our economy as a whole and the confidence it engenders in local and overseas investors. But the process of growth, particularly rapid growth, brings in its train its own problems and we are starting this afternoon on a programme designed to bring more order and efficiency into the conduct of trading in securities of all kinds, thereby providing greater protection for the interests of the investing public.

Now, Sir, the bill before honourable Members is based on the recommendations contained in chapter 8 of the Companies Law Revision Committee's report. This chapter covers the requirements for the issue in Hong Kong of prospectuses of companies registered either here or overseas. The Companies Ordinance as it at present stands is based very largely on the United Kingdom Companies Act of 1929. Since then the 1948 Companies Act has been passed by Parliament and in 1962 the Jenkins Committee Report was produced. This Report reviewed the workings of, and recommended changes in, the 1948 Companies Act and the 1958 Prevention of Fraud (Investments) Act. Both the 1948 Companies Act and the Jenkins Committee Report contain a number of provisions or recommendations concerning prospectuses and most of these have been included in the present bill, together with a number of points which we have added ourselves as a result of our own experience. (Most of the recommendations in the

Jerkins Report, I cannot resist pointing out, have still not reached the statute book in the United Kingdom). The whole of this bill together with the substantive Ordinance constitutes what is probably one of the most up to date pieces of legislation on prospectuses in the world today. When the bill is considered in detail at the Committee Stage, the Government will as usual be happy to consider any reasoned amendments that may be proposed by honourable Members, but I, of course, hope that few will be necessary.

The salient features of the bill are contained in clauses 2, 5, 6, 7, 13, 14 and 18 and in the Third Schedule.

*Clause 2* extends the existing definition of "prospectus" to include documents which do not actually offer shares or debentures, but are calculated to invite offers from the public. The purpose is to bring within the scope of the Ordinance documents which are, for all practical purposes, prospectuses but which have hitherto escaped control, such as explanatory brochures and pamphlets which give only partial information but are intended to encourage the reader to buy, even though no application form is attached. This clause also extends the definition of a prospectus to cover cases where the subscription or purchase is for a consideration other than cash. But it is not intended that the definition should apply where the offer is made in connection with a take-over or merger as this will be covered in due course by separate legislation.

*Clause 5* amends section 38 of the principal Ordinance in a number of respects. The most important is to provide that every prospectus is to be in English, and is to contain a Chinese translation, and that it should include the information in the Third Schedule. The whole prospectus is to be lodged with the Registrar General before issue to the public. Obviously, in Hong Kong, it is only reasonable that the general public should have available a version of a prospectus in the language they most readily understand. I should add here that the Chinese translation will form part of the prospectus and will have the same legal consequences as the English version. Any person or persons who have authorized the issue of a prospectus will be held liable for any statement made in it in either language. The responsibility for providing the Chinese translation rests entirely with the sponsors of the issue and, if it gives an inadequate or misleading impression of the English version, the Registrar General will not be able to accept it. This requirement will initially take up more time and labour in the preparation of a prospectus, but we hope that this should be considerably reduced as experience is gained.

Clause 5 also contains a requirement that prospectuses must include in a prominent position a cautionary notice reading as follows:

[THE FINANCIAL SECRETARY]      **Companies (Amendment) Bill—second reading**

"IMPORTANT—If you are in any doubt about this prospectus you should consult your stockbroker, bank manager, solicitor, qualified accountant or other professional adviser".

This notice is similar to a provision already contained in United Kingdom legislation.

*Clause 6* inserts four new sections after section 38 of the principal Ordinance. Section 38B will prohibit the publication of an abridged prospectus. I should emphasize here, Sir, that this provision is not intended to place restrictions on press comments on a prospectus and the use of extracts, provided these are not in the nature of advertisements. I know that some financial commentators have been afraid that this might not be the case and I am, therefore, most anxious to reassure them on this point. The Government is well aware that sensible press comment on a prospectus can be of considerable help to the public.

The new section 38C seeks to prohibit the inclusion in a prospectus of an expert's statement that is the statement of an accountant, valuer, engineer and so on—unless he has consented in writing. This is designed to make experts responsible for any statements made by them and this is made very clear in clause 7.

Section 38D provides, among other things, that a prospectus must be registered with the Registrar of Companies and that he can refuse such registration. In that case, the prospectus cannot be published as it would not comply in all respects with the Ordinance. This does not mean, of course, that if a prospectus *is* accepted for registration, the company whose shares are being issued is endorsed by the Government in any way whatsoever as a sound investment. It merely means that the prospectus concerned has met all the statutory requirements for publication. The prospectus is to be printed in clear type and must not contain photographs or illustrations of a pictorial or graphic nature; but this is not intended to exclude a trade mark or crest which has become the recognized symbol of a company.

*Clause 7* makes directors and promoters of prospectuses as well as experts quoted in them liable to pay compensation to subscribers in cases where false or misleading statements are made in prospectuses and clause 8 establishes criminal liability for such offences and lays down penalties.

*Clause 13* inserts two new sections after section 44. The new section 44A is based on a United Kingdom precedent, with several modifications as recommended in the Companies Law Revision Committee's Report. First, not less than two days must elapse between the

issue of the prospectus and the opening of the subscription lists, in order to give subscribers time to digest the information in the prospectus. The present Companies Ordinance does not provide for any such interlude. Some may feel that even this time is not long enough, but to extend it further would, we believe, encourage the undesirable practice of dealing in shares before allotment. Secondly, there is to be no allotment of securities on the basis of a prospectus which is more than one month old, as the information contained in it may well have become, by that time, obsolete or misleading. Finally, it is provided that applications cannot be withdrawn for five days from the date of the opening of the subscription lists in order that the allotment may be done in an orderly and efficient manner.

The new section 44B deals with the repayment of subscription money after the allotment of shares where the prospectus has stated that an application was to be made for the shares to be quoted on a stock exchange but where, in fact, permission has not been requested, or has been refused.

*Clause 14* inserts a new section 48A which gives some guidance on the difficult problem of deciding which offers can be regarded as made "to the public".

*Clause 18* provides for the regulation of the prospectuses of foreign companies in much the same way as those of Hong Kong companies.

Sir, in many ways the meat of this bill is contained in the *Third Schedule* which sets out very clearly the information to be provided in a prospectus which the Governor-in-Council will now have power to amend by regulation. All those responsible for issuing prospectuses will need to study this schedule in detail. All I need do here is to draw honourable Members' attention to paragraph 3 of the Schedule. The information sought is to provide, "sufficient particulars and information to enable a reasonable person to form as a result thereof a valid and justifiable opinion of the shares or debentures, and the financial condition and profitability of the company at the time of the issue of the prospectus".

Sir, the purpose of this bill is to require more information and better information to be given in prospectuses and to lay down penalties for giving false or misleading information and for other offences by promoters. To that extent it will provide greater protection for the investing public. But in conclusion, I would say this: it will be up to the public themselves to take advantage of the provisions in this bill by reading prospectuses carefully and, where they feel this is necessary, by taking professional advice. It is *not* the purpose of the bill to establish any form of government vetting machinery over new issues, but only to make sure that adequate and

[THE FINANCIAL SECRETARY] **Companies (Amendment) Bill—second reading**

accurate information is given in prospectuses. If companies whose prospects are not particularly sound come to the market this should be revealed in the prospectuses and it will be up to the public and the press to form their own judgments as to their worth.

*Motion made.* That the debate on the second reading of the bill be adjourned—THE ATTORNEY GENERAL (MR ROBERTS).

*Question put and agreed to.*

*Explanatory Memorandum*

The principal purpose of this Bill is to give effect to Chapter 8 of the Report of the Companies Law Revision Committee on the Protection of Investors. Chapter 8 deals with requirements as to prospectuses issued by Hong Kong and foreign companies and also with requirements as to statements in lieu of prospectuses. A few miscellaneous suggestions from Chapter 12 of the Report are also included.

The existing provisions in the Companies Ordinance follow very closely the provisions of the Companies Act 1929 of the United Kingdom. Following recommendations made in the United Kingdom by the Cohen Committee, those provisions were considerably amended in the Companies Act 1948 and a table is attached to this memorandum which relates many of the provisions of this Bill to the similar provision in the United Kingdom Act of 1948. The table also, where applicable, relates provisions in the Bill to the paragraph in Chapter 8 of the Report which recommended the provision concerned. A small number of supplementary related provisions have also been included.

Clause 2 extends the existing definition of "prospectus" to include documents which do not actually offer shares or debentures for sale but are calculated to invite offers from the public to subscribe for or purchase shares or debentures.

Clause 3 amends section 30 to correspond with the U.K. Act of 1948 to include provisions as to criminal liability for untrue statements in statements in lieu of prospectuses which are similar to those provided for untrue statements in prospectuses.

Clause 5 amends section 38 in a number of respects. A prospectus must now contain a Chinese translation. Paragraph (b) inserts a new subsection (1A) requiring that prospectuses must contain the advice set out in the paragraph. Failure to



include such advice and failure to comply with other requirements as to what must be contained in a prospectus is made an offence under subsection (1B). The requirements as to what must be stated in a prospectus are specified in the Third Schedule and paragraph (f) inserts a new subsection (7) enabling the Governor in Council to amend the Schedule.

Clause 6 inserts four new sections.

The new section 38A empowers the Registrar of Companies to issue a certificate of exemption having effect to relax the provisions of the Third Schedule should, in his opinion, strict compliance be irrelevant or unduly burdensome in particular circumstances.

Section 38B prohibits the publication of abridged prospectuses.

Section 38C follows section 40 of the 1948 Act in prohibiting the inclusion in a prospectus of a statement purporting to come from an expert unless that expert has consented in writing.

Section 38D provides for the registration of prospectuses and related documents with the Registrar of Companies. A prospectus may no longer be registered relating to an intended company (subsection (4)) and the Registrar is to have power (subsection (5)) to refuse to register a prospectus if it does not comply with the Ordinance or contains any information likely to mislead.

Clause 7 repeals and replaces section 40 relating to civil liability for mis-statements in prospectuses so as to correspond with section 43 of the U.K. Act.

Clause 8 inserts a new section 40A establishing criminal liability for mis-statements in prospectuses except where the person charged proves either that the statement was immaterial or that he had reasonable ground to believe and did believe that it was true.

Clause 12 repeals and replaces section 43 which prohibits allotment in certain cases unless a statement in lieu of prospectus is delivered to the Registrar. This includes similar provisions as to criminal liability for untrue statements to those provisions in respect of untrue statements in prospectuses.

Clause 13 inserts a new section 44A based on section 50 of the Act of 1948 but with three modifications recommended in the Report including one that no allotment of securities offered to the public should be permitted after thirty days from the date the prospectus was first issued. A new section 44B, based on section

**Companies (Amendment) Bill—second reading**

[*Explanatory Memorandum*]

51 of the 1948 Act deals with allotment of shares and debentures where application is being made for permission to deal on a stock exchange.

Clause 14 inserts a new section 48A, corresponding with section 55 of the U.K. 1948 Act, dealing with the construction of references to offering shares or debentures to the public.

Clause 15 repeals section 94 which contains restrictions on the commencement of business of companies.

Clause 16 extends the power of the Financial Secretary to appoint inspectors to cover cases where fraudulent or other conduct leading to the appointment is no longer being conducted.

Clause 17 replaces section 277, which concerns the prosecution of officers and members of a company, with a section corresponding to section 334 of the U.K. 1948 Act.

Clause 18 repeals sections 342 and 343 and replaces them with new sections corresponding generally to sections 417 to 423 of the 1948 Act, but subject to three modifications suggested in paragraph 8.47 of the Report. These sections regulate the prospectuses of foreign companies in much the same way as earlier sections provide for Hong Kong companies.

Clause 19 introduces a new section 350A which is a penal provision making it an offence for a company to issue a circular or advertisement stating the amount of the company's authorized or issued capital without also stating the company's paid-up capital.

Clause 20 inserts a new section 351A which would extend the present six month limitation period for commencing prosecutions for offences under the Ordinance. The section follows a similar amendment in the U.K. Act of 1967.

Clause 21 repeals and replaces the Second, Third and Fourth Schedules to the Ordinance.

The Second Schedule prescribes the form and contents of Statements in Lieu of Prospectus and corresponds to the Third Schedule of the 1948 Act. Paragraph 7 of Part III of the Schedule provides that where a person's description is required to be stated this shall be done with particularity and precision. "Company Director" is an inadequate description unless the company's business is described. Under paragraph 8, "address"

means usual place of residence thus a post office box or temporary hotel address will not be adequate.

The Third Schedule sets out the matters and reports which must be set out in a prospectus issued by a Hong Kong or foreign company. This Schedule is now brought into line with the Fourth Schedule of the 1948 Act with certain amendments suggested in the United Kingdom by the Jenkins Committee, and some amendments and additions recommended in the Report.

Paragraph 1 requires the general nature of the company's business to be specified together with information as to the relative importance of the company's varying activities where applicable.

Paragraph 3 imposes a general requirement requiring sufficient information to enable a reasonable person to form a sound opinion on the financial condition and profitability of the company.

Paragraph 10 requires particulars of shares and debentures under option to be stated.

Paragraph 12 requires particulars to be given of all transactions relating to property being paid for out of the issue which have taken place within two years of the issue and in which any vendor, director or promoter was interested.

Paragraph 22 requires the director's borrowing powers to be stated.

Paragraph 23 requires particulars of bank overdrafts to be stated.

Paragraph 26 regulates the description of debentures and requires particulars to be given of any guarantee relating to the debentures.

Paragraph 27 requires the disclosure of gross trading income or turnover for the five preceding years.

Paragraph 28 provides that if the prospectus offers shares in the company for sale to the public, the identities of the major vendors and details of the beneficial interests of directors in the shares to be sold must be disclosed.

Paragraph 31 requires the auditors report to cover five years instead of three and to cover assets and liabilities as well as profits and losses. In the case of a prospectus for guaranteed debentures a similar report must be included relating to the affairs of the guarantor corporation.

**Companies (Amendment) Bill—second reading**

[*Explanatory Memorandum*]

Paragraph 34 requires the inclusion of a valuation report of land and buildings containing specified particulars in cases where the accounts of the company disclose that either ten *per cent* of the assets of the company consist of land and buildings or the company's land and buildings are valued at more than three million dollars.

The Fourth Schedule prescribes the form of Statement in Lieu of Prospectus to be delivered by a company which does not go to allotment on a prospectus issued. The new Schedule generally corresponds with the Fifth Schedule of the 1948 Act.

**BUILDINGS (AMENDMENT) (NO 2) BILL 1972**

MR ROBSON moved the second reading of:—"A bill to amend further the Buildings Ordinance".

He said:—Sir, at present the maximum penalty which a Disciplinary Board can impose upon a registered contractor is \$2,000 and the fines imposed so far have been of little deterrent value in disciplining errant contractors. To correct this situation clause 2 of the bill increases this fine to \$50,000.

Clause 3 provides for the Building Authority to take appropriate action when works in progress have been executed in a manner which has caused or is likely to cause dangerous conditions. By this clause the Building Authority will be empowered to order the execution of remedial works in order to remove the source of danger. The clause goes on to specify how the order is to be given and upon whom it may be served. Failure to comply with such an order will give the Building Authority the power to do the work and to recover the costs involved from the person on whom the order has been served.

Clause 4 amends the provision enacted by the Buildings (Amendment) Ordinance 1972 (No 44 of 1972) which removed the time limit of fourteen days within which the Building Authority could refuse to issue an occupation permit or a temporary occupation permit. The amendment will therefore restore the position whereby the Building Authority has to deal with applications for occupation or temporary occupation permits within fourteen days of receipt.

Clause 5 of the bill is designed to substitute for the present fine of \$2,000 and imprisonment for six months a realistic fine of \$50,000

and imprisonment for two years, upon conviction of those offences which are considered grave. These offences may be summarized as:

- (a) the incorporation of defective materials in building works;
- (b) the divergence from approved plans; and
- (c) failure to notify contravention of regulations,

and are therefore to be removed from the table given at subsection (2) of section 40 of the Ordinance. They will be placed in a new subsection (2A) which is given at clause 5(b) of the bill.

Clause 5 also defines not only new offences derived from clause 3 of the bill but also the penalties that these offences can attract. Briefly it is intended that anyone who orders, carries out or permits works which create dangerous conditions likely in the opinion of the Building Authority to cause a risk or injury to any person or damage to property, shall be guilty of an offence and shall be liable on conviction to a fine of \$50,000 and to imprisonment for two years. In addition any person who fails to comply with an order for remedial works to correct the situation, served on him by the Building Authority in accordance with the legislation, shall be guilty of an offence which attracts similar penalties. A continuing penalty of \$10,000 per day may also be imposed for non-compliance with the order of the Building Authority for remedial works.

Clause 6 of the bill amends regulation 30 of the Building (Administration) Regulations by substituting 60 days for the period of 28 days after which approval of plans submitted to the Building Authority may be deemed to have been given by default. Honourable Members will, however, note that the period during which the Building Authority has to either consent to or refuse the commencement of building works remains unaltered at 28 days.

*Motion made. That the debate on the second reading of the bill be adjourned—MR ROBSON.*

*Question put and agreed to.*

#### *Explanatory Memorandum*

Clause 2 of the Bill increases the maximum penalty which may be imposed under section 13(2)(b) of the principal Ordinance from \$2,000 to \$50,000.

2. Clause 3 adds a new section (section 24A) to the principal Ordinance. The purpose of this provision is to empower the

**Buildings (Amendment) (No 2) Bill—second reading**

[*Explanatory Memorandum*]

Building Authority to order a person responsible for the carrying out of building works which are dangerous or potentially dangerous to remedy the situation. If such an order is not complied with the Building Authority is empowered to cause the necessary work to be carried out and to recover the cost of such work.

3. Clause 4 amends section 30A of the principal Ordinance by deleting subsection (1)(b) thereof. The purpose of this amendment is to remove the restriction on the issue of occupation permits and temporary occupation permits under section 21(7) of the principal Ordinance imposed by the Buildings (Amendment) Ordinance 1972 (No. 44 of 1972).

4. Clause 5 amends section 40 of the principal Ordinance. The maximum fine which may be imposed under items (5), (7) and (9) of the table to this section is increased from \$2,000 to \$50,000, as the contravention of the sections under reference are considered to be serious offences. For ease of reference these items are taken from the table and are transposed to the new subsection (2A) of section 40. Subsection (2B) of that section provides a penalty for an authorized architect or registered contractor directly concerned with building works causing or condoning a contravention of the new section 24A of the principal Ordinance. Subsection (2C) provides a similar penalty for the failure to comply with an order served under section 24A and, in addition, a continuing penalty of \$10,000 for each day during which the order is not complied with by the person served with the order.

5. Clause 6 amends regulation 30(3) of the Building (Administration) Regulations by extending from 28 days to 60 days the period referred to in section 15 of the Ordinance in connection with approval being deemed to have been given for plans submitted to the Building Authority.

**Committee stage of bills**

Council went into Committee.

**URBAN COUNCIL (AMENDMENT) (NO 2) BILL 1972**

Clauses 1 and 2 were agreed to.

**TELEVISION (AMENDMENT) BILL 1972**

Clauses 1 and 2 were agreed to.

**PEAK TRAMWAY (AMENDMENT) BILL 1972**

Clauses 1 to 3 were agreed to.

**BILLS OF EXCHANGE (AMENDMENT) BILL 1972**

Clauses 1 to 3 were agreed to.

Council then resumed.

**Third reading of bills**

THE ATTORNEY GENERAL (MR ROBERTS) reported that the

Urban Council (Amendment) (No 2) Bill 1972

Television (Amendment) Bill 1972

Peak Tramway (Amendment) Bill 1972

Bills of Exchange (Amendment) Bill 1972

had passed through Committee without amendment and moved the third reading of each of the bills.

*Question put on each bill and agreed to.*

Bills read the third time and passed.

**Adjournment**

HIS EXCELLENCY THE PRESIDENT: —In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. tomorrow afternoon when we shall resume the debate on the motion of thanks.

*Adjourned accordingly at twenty minutes past Five o'clock*