

**THE LEGISLATIVE COUNCIL DEBATES  
OFFICIAL REPORT**

**N THE SESSION OF THE LEGISLATIVE COUNCIL OF  
HONG KONG  
WHICH OPENED ON 27 SEPTEMBER 1983  
IN THE  
THIRTY-SECOND YEAR OF THE REIGN OF HER MAJESTY  
QUEEN ELIZABETH II**

**LEGISLATIVE COUNCIL CHAMBER**

**Tuesday, 27 September 1983**

**The Council met at six o'clock**

**PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR EDWARD YOUDE, G.C.M.G., M.B.E.

THE HONOURABLE THE CHIEF SECRETARY  
SIR CHARLES PHILIP HADDON-CAVE, K.B.E., C.M.G., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY  
SIR JOHN HENRY BREMRIDGE, K.B.E.

THE HONOURABLE THE ATTORNEY GENERAL  
MR. MICHAEL DAVID THOMAS, Q.C.

THE HONOURABLE ROGERIO HYNDMAN LOBO, C.B.E., J.P.

THE HONOURABLE DENIS CAMPBELL BRAY, C.M.G., C.V.O., J.P.  
SECRETARY FOR HOME AFFAIRS

DR. THE HONOURABLE HARRY FANG SIN-YANG, C.B.E., J.P.

THE HONOURABLE LO TAK-SHING, C.B.E., J.P.

THE HONOURABLE FRANCIS YUAN-HAO TIEN, O.B.E., J.P.

THE HONOURABLE ALEX WU SHU-CHIH, C.B.E., J.P.

THE HONOURABLE CHEN SHOU-LUM, O.B.E., J.P.

THE HONOURABLE LYDIA DUNN, C.B.E., J.P.

THE REVD. THE HONOURABLE PATRICK TERENCE MCGOVERN, O.B.E., S.J., J.P.

THE HONOURABLE PETER C. WONG, O.B.E., J.P.

THE HONOURABLE WONG LAM, O.B.E., J.P.

DR. THE HONOURABLE THONG KAH-LEONG, C.B.E., J.P.  
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, C.B.E., J.P.  
SECRETARY FOR TRADE AND INDUSTRY

THE HONOURABLE CHARLES YEUNG SIU-CHO, O.B.E., J.P.

THE HONOURABLE JOHN MARTIN ROWLANDS, C.B.E., J.P.  
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE GERALD PAUL NAZARETH, O.B.E., Q.C., J.P.  
LAW DRAFTSMAN

THE HONOURABLE HU FA-KUANG, J.P.

THE HONOURABLE WONG PO-YAN, O.B.E., J.P.

THE HONOURABLE DONALD LIAO POON-HUAI, C.B.E., J.P.  
SECRETARY FOR HOUSING

THE HONOURABLE CHAN KAM-CHUEN, J.P.

THE HONOURABLE JOHN JOSEPH SWAINE, O.B.E., Q.C., J.P.

THE HONOURABLE COLVYN HUGH HAYE, C.B.E., J.P.  
DIRECTOR OF EDUCATION

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN, J.P.

THE HONOURABLE CHEUNG YAN-LUNG, M.B.E., J.P.

THE HONOURABLE MRS. SELINA CHOW LIANG SHUK-YEE, J.P.

THE HONOURABLE MARIA TAM WAI-CHU, J.P.

DR. THE HONOURABLE HENRIETTA IP MAN-HING

THE HONOURABLE PIERS JACOBS, O.B.E., J.P.  
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.  
SECRETARY FOR SECURITY

THE HONOURABLE HENRY CHING, C.B.E., J.P.  
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE CHAN NAI-KEONG, J.P.  
SECRETARY FOR LANDS AND WORKS

THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, J.P.  
COMMISSIONER FOR LABOUR

THE HONOURABLE MRS. RITA FAN HSU LAI-TAI

THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN

THE HONOURABLE PETER POON WING-CHEUNG, M.B.E., J.P.

THE HONOURABLE JAMES NEIL HENDERSON, O.B.E., J.P.  
SECRETARY FOR EDUCATION AND MANPOWER

**ABSENT**

THE HONOURABLE DAVID AKERS-JONES, C.M.G., J.P.  
SECRETARY FOR DISTRICT ADMINISTRATION

THE HONOURABLE ALAN JAMES SCOTT, C.B.E., J.P.  
SECRETARY FOR TRANSPORT

DR. THE HONOURABLE HO KAM-FAI, O.B.E., J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, O.B.E., J.P.

THE HONOURABLE ANDREW SO KWOK-WING, J.P.

THE HONOURABLE WILLIAM CHARLES LANGDON BROWN, O.B.E., J.P.

THE HONOURABLE CHAN YING-LUN

THE HONOURABLE YEUNG PO-KWAN, C.P.M.

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
MRS. JENNIE CHOK PANG YUEN-YEE

**Oath and Affirmations**

Mrs. Rita FAN and Mr. Peter POON Wing-cheung made the Affirmation of Allegiance and Mrs. Pauline NG took the Oath of Allegiance. They then assumed their seats as Members of the Council.

HIS EXCELLENCY THE PRESIDENT:—I warmly welcome the new Members to the Council.

**Statement**

HIS EXCELLENCY THE PRESIDENT:—Honourable Members, in accordance with Standing Order 7(3), I have changed the first sitting of the 1983-84 session from Wednesday, 5 October 1983 to today at 6.00 p.m.

In accordance with Standing Order 5(3), this has been notified in an extraordinary issue of the *Gazette* of today's date.

And in accordance with Standing Order 7(2), I dispense with the written notice for this sitting of the Council and declare the Council now in session.

## Government Business

### First reading of bill

#### HANG LUNG BANK (ACQUISITION) BILL 1983

HIS EXCELLENCY THE PRESIDENT:—I have directed that the HANG LUNG BANK (ACQUISITION) BILL 1983 should not be published in the *Gazette* before it is read a first time.

*Bill read the first time and ordered to be set down for second reading pursuant to Standing Order 41(3).*

### Second reading of bill

#### HANG LUNG BANK (ACQUISITION) BILL 1983

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to provide for the acquisition by the Government of the Hang Lung Bank, Limited, the carrying on of the business of that Bank, the compensation payable in respect of such acquisition and for connected purposes’.

He said:—I move that the Hang Lung Bank (Acquisition) Bill 1983 be read the second time.

The history is important. In early September 1982 there was a run on the Hang Lung Bank, which is a considerable local bank with 28 branches. The Chartered Bank, as the Hang Lung Bank's clearing bank, made a statement of support and provided substantial liquidity. The run subsided on the second day. It appeared to have been sparked by unfounded, possibly malicious rumours. A month or so later the Hang Lung Bank's position again came under attack as a result of the failure of the registered deposit-taking company Dollar Credit and Financing, with which there were clear links. Other banks, particularly certain overseas banks, began in early 1983 to withdraw banking facilities which they had previously made available. There then appeared the possibility that the end-year, that is to say, end of March 1983, balance sheet of the Hang Lung Bank would show a deficiency of capital, bringing it below the statutory minimum.

From the middle of February 1983 customers' deposits with the Hang Lung Bank gradually increased. This, together with a capital injection from shareholders provided a respite.

Although the level of deposits with the Hang Lung Bank by the middle of September this year had grown, after adjusting for the valuation effect of the depreciation of the Hong Kong dollar it was still below the level before the run in September 1982. Additionally continuing examination by the Commissioner

of Banking and his staff revealed little underlying improvement in the Hang Lung Bank's position, so that its long-term viability became increasingly questionable. Its use of funds derived from new deposits to reduce its indebtedness to other banks increasingly worsened the situation.

The Government, together with the two note-issuing banks, have been keeping a close and continuous watch on developments at the Hang Lung Bank for the whole of the last 12 months. Several confidential contingency plans have been drawn up with a view to tackling different situations as conditions changed, and change was indeed continuous. The Government believes that it would be unacceptable, both domestically and internationally, to allow this bank to fail, which would involve considerable loss to depositors. I must emphasize my view that the depositors interests override those of shareholders.

Events in past days coupled with repayment of borrowings from its clearing bank have again led to a severe shortage of liquidity. Consequently this morning the Hang Lung Bank reported to the Commissioner of Banking that it was unable to meet in full its liabilities to the Clearing House in respect of cheques drawn by its customers. It made various unacceptable suggestions. The Chartered Bank informed the Secretary for Monetary Affairs that it was not prepared to cover about HK\$50 million over-drawn on Hang Lung Bank's clearing account with it and that consequently it intended to inform the clearing house at 10.15 a.m. this morning that the Hang Lung Bank was unable to meet its clearing. This would have meant that HK\$148 million worth of cheques would have been returned to the banks submitting them for clearing. A dangerous situation would clearly have resulted.

As an emergency measure the Government have undertaken to cover the position for one day to avoid cheques being dishonoured.

The Government now intends to take longer term measures which will protect the bank's depositors. They will appreciate that the consequence of this legislation if passed into law tonight will be that the bank will be owned from tomorrow by the Government who will stand behind depositors.

As we have been involved behind the scenes over the affairs of the Hang Lung Bank for many months, we have developed various contingency plans for any situation likely to arise.

I now believe that the only satisfactory course for the Government is to take over the Hang Lung Bank. It would in my opinion be wrong to advance public money directly to an institution which the Government cannot control and in which it in its present ownership we do not have confidence.

It is not possible yet to quantify what the costs will be to the Exchange Fund, from which expenses will be met. It is our intention that the Hang Lung Bank under sound management will in due course revert to private ownership on a basis yet to be determined. It may be that this turnaround will not be expensive but only time will tell.

The Hong Kong and Shanghai Bank have agreed to provide senior full time management and an executive director. The Chairman will be the Secretary for Monetary Affairs. Additional directors will be appointed, including some Members of this Council.

Sir, this unhappy situation, of the possibility of which the Government have long been aware, owes nothing to present political issues. I propose to preserve the interests of the depositors and the employment of the Hang Lung Bank staff; and to maintain confidence in the banking sector. I believe that this can be achieved by firm Government action now and possibly at little real cost.

The objects of the Bill are given clearly in the explanatory memorandum which is before you. Ownership of the shares in the Hang Lung Bank will vest in the Government. In due course and subject to audit whatever compensation is fair will be payable to the present shareholders. But the Government will be free to disclaim improvident or improper transactions since 1 September 1982. Existing directors will cease to hold office.

If this Council accepts this Bill the Hang Lung Bank will open for business tomorrow morning as usual under new ownership. I know that the staff will respond accordingly and give their full support for the new management.

Sir, I move that the debate on this motion be taken.

MR. LOBO:—Sir, I rise to support this Bill and the measures proposed by my Friend, the Financial Secretary.

We are assembled in this Chamber to act without delay to protect the interests of the depositors.

This Bill reflects the Government's concern and willingness to take swift action and measures to protect those who, in good faith, place their money in our banks.

The Financial Secretary has just given us a clear account of the events leading to the introduction of the Bill and, in supporting the measures proposed, I would be failing in my duty if I did not condemn the management weaknesses which have made necessary this corrective action.

Sir, I support the motion.

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).*

**Committee stage of bill**

Council went into Committee

**HANG LUNG BANK (ACQUISITION) BILL 1983**

Clauses 1 to 12 were agreed to.

Council then resumed.

**Third reading of bill**

THE ATTORNEY GENERAL reported that the

HANG LUNG BANK (ACQUISITION) BILL

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

*Question put on the Bill and agreed to.*

Bill read the third time and passed.

**Adjournment and next sitting**

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 5 October 1983.

*Adjourned accordingly at eighteen minutes past six o'clock.*