OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 30 January 2019

The Council met at half-past Eleven o'clock

MEMBERS PRESENT:

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE LEUNG YIU-CHUNG

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

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

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

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

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

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

THE HONOURABLE CHAN HAK-KAN, B.B.S., J.P.

THE HONOURABLE CHAN KIN-POR, G.B.S., J.P.

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN, S.B.S., J.P.

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

THE HONOURABLE PAUL TSE WAI-CHUN, J.P.

THE HONOURABLE CLAUDIA MO

THE HONOURABLE MICHAEL TIEN PUUK-SUN, B.B.S., J.P.

THE HONOURABLE STEVEN HO CHUN-YIN, B.B.S.

THE HONOURABLE FRANKIE YICK CHI-MING, S.B.S., J.P.

THE HONOURABLE WU CHI-WAI, M.H.

THE HONOURABLE YIU SI-WING, B.B.S.

THE HONOURABLE MA FUNG-KWOK, S.B.S., J.P.

THE HONOURABLE CHARLES PETER MOK, J.P.

THE HONOURABLE CHAN CHI-CHUEN

THE HONOURABLE CHAN HAN-PAN, B.B.S., J.P.

THE HONOURABLE LEUNG CHE-CHEUNG, S.B.S., M.H., J.P.

THE HONOURABLE KENNETH LEUNG

THE HONOURABLE ALICE MAK MEI-KUEN, B.B.S., J.P.

DR THE HONOURABLE KWOK KA-KI

THE HONOURABLE KWOK WAI-KEUNG, J.P.

THE HONOURABLE DENNIS KWOK WING-HANG

THE HONOURABLE CHRISTOPHER CHEUNG WAH-FUNG, S.B.S., J.P.
DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

DR THE HONOURABLE HELENA WONG PIK-WAN

THE HONOURABLE IP KIN-YUEN

DR THE HONOURABLE ELIZABETH QUAT, B.B.S., J.P.

THE HONOURABLE MARTIN LIAO CHEUNG-KONG, S.B.S., J.P.

THE HONOURABLE POON SIU-PING, B.B.S., M.H.

DR THE HONOURABLE CHIANG LAI-WAN, S.B.S., J.P.

IR DR THE HONOURABLE LO WAI-KWOK, S.B.S., M.H., J.P.

THE HONOURABLE CHUNG KWOK-PAN

THE HONOURABLE ALVIN YEUNG

THE HONOURABLE ANDREW WAN SIU-KIN

THE HONOURABLE CHU HOI-DICK

DR THE HONOURABLE JUNIUS HO KWAN-YIU, J.P.

THE HONOURABLE HO KAI-MING

THE HONOURABLE LAM CHEUK-TING

THE HONOURABLE HOLDEN CHOW HO-DING

THE HONOURABLE SHIU KA-FAI

THE HONOURABLE SHIU KA-CHUN

THE HONOURABLE WILSON OR CHONG-SHING, M.H.
DR THE HONOURABLE PIERRE CHAN

THE HONOURABLE CHAN CHUN-YING, J.P.

THE HONOURABLE TANYA CHAN

THE HONOURABLE CHEUNG KWOK-KWAN, J.P.

THE HONOURABLE HUI CHI-FUNG

THE HONOURABLE LUK CHUNG-HUNG, J.P.

THE HONOURABLE LAU KWOK-FAN, M.H.

THE HONOURABLE KENNETH LAU IP-KEUNG, B.B.S., M.H., J.P.

DR THE HONOURABLE CHENG CHUNG-TAI

THE HONOURABLE KWONG CHUN-YU

THE HONOURABLE JEREMY TAM MAN-HO

THE HONOURABLE GARY FAN KWOK-WAI

THE HONOURABLE AU NOK-HIN

THE HONOURABLE VINCENT CHENG WING-SHUN, M.H.

THE HONOURABLE TONY TSE WAI-CHUEN, B.B.S.

THE HONOURABLE CHAN HOI-YAN

MEMBERS ABSENT:

THE HONOURABLE JIMMY NG WING-KA, J.P.

THE HONOURABLE YUNG HOI-YAN
PUBLIC OFFICERS ATTENDING:

THE HONOURABLE MATTHEW CHEUNG KIN-CHUNG, G.B.M., G.B.S., J.P.
CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE WONG KAM-SING, G.B.S., J.P.
SECRETARY FOR THE ENVIRONMENT

THE HONOURABLE JAMES HENRY LAU JR., J.P.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

DR THE HONOURABLE LAW CHI-KWONG, G.B.S., J.P.
SECRETARY FOR LABOUR AND WELFARE

THE HONOURABLE FRANK CHAN FAN, J.P.
SECRETARY FOR TRANSPORT AND HOUSING

THE HONOURABLE MICHAEL WONG WAI-LUN, J.P.
SECRETARY FOR DEVELOPMENT

THE HONOURABLE KEVIN YEUNG YUN-HUNG, J.P.
SECRETARY FOR EDUCATION

THE HONOURABLE PATRICK NIP TAK-KUEN, J.P.
SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

DR RAYMOND SO WAI-MAN, B.B.S., J.P.
UNDER SECRETARY FOR TRANSPORT AND HOUSING

CLERKS IN ATTENDANCE:

MR KENNETH CHEN WEI-ON, S.B.S., SECRETARY GENERAL

MISS ODELIA LEUNG HING-YEE, DEPUTY SECRETARY GENERAL

MISS FLORA TAI YIN-PING, ASSISTANT SECRETARY GENERAL

MS DORA WAI, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

The following papers were laid on the table under Rule 21(2) of the Rules of Procedure:

Subsidiary Legislation/Instrument  

| Waterworks (Amendment) Regulation 2019 .................... | 12/2019 |

Other Papers

No. 68 — Correctional Services Department Welfare Fund Report by the Commissioner of Correctional Services of Hong Kong Incorporated on the Administration of the Fund, Financial statements and Report of the Director of Audit for the year ended 31 March 2018

No. 69 — The Government Minute in response to the Report of the Public Accounts Committee No. 70A of November 2018

Report No. 10/18-19 of the House Committee on Consideration of Subsidiary Legislation and Other Instruments

Report of the Bills Committee on Financial Reporting Council (Amendment) Bill 2018

Report of the Bills Committee on Inland Revenue (Amendment) (No. 6) Bill 2018
ADDRESS

PRESIDENT (in Cantonese): Address. The Chief Secretary for Administration will address the Council on "The Government Minute in response to the Report of the Public Accounts Committee No. 70A".

The Government Minute in response to the Report of the Public Accounts Committee No. 70A of November 2018

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): President, laid on the table today is the Government Minute responding to Report No. 70A of the Public Accounts Committee ("PAC").

When presenting Report No. 70A on 14 November 2018 to the Legislative Council, the Chairman of PAC offered comments on two chapters in the Director of Audit's Report No. 70, namely, "Management of restored landfills" and "Sha Tin Section of Route 8".

I welcome PAC's Report and sincerely thank the Chairman and Members of PAC for their time and effort made to investigate these subjects. The Government accepts PAC's various recommendations and sets out in detail the specific responses of the relevant departments in the Government Minute. Today, I would like to highlight the key measures that the Government has taken in the two important policy areas and the progress.

Regarding "Management of restored landfills", as pointed out by the Chairman of PAC, there are many site constraints in the 13 closed landfills in Hong Kong. Before development of the sites, various serious technical difficulties such as ground settlement and continuous generation of landfill gas have to be overcome. Nonetheless, the Environmental Protection Department ("EPD") would seriously follow up on the recommendations of PAC with a view to developing the closed landfills for recreational or other suitable afteruse under these constraints.

In 2016, EPD thoroughly reviewed the monitoring system and promptly implemented numerous improvement measures, which included stepping up the frequency of irregular inspections, enhancing the training of staff stationed in waste treatment facilities to enhance their technical knowledge and alertness, and
installing additional monitoring equipment to more closely monitor the operation of the waste treatment facilities. As regards the monitoring of contractors of restored landfills, EPD accepts the recommendations made by PAC and will take appropriate follow-up action, including expediting the progress of installing advanced equipment at various restored landfill sites with leachate treatment plants, with a view to automating the monitoring work and detecting cases of non-compliance in a more timely manner; supervising continuously the contractors' operation on restoration facilities and their compliance with relevant statutory and contractual requirements; and reviewing the feasibility of including non-compliance with the relevant statutory environmental requirements under the demerit point system of the design-build-operate contracts for the restoration and management of closed landfills in future.

Regarding the Restored Landfill Revitalization Funding Scheme ("the Funding Scheme"), EPD is working closely with the two organizations selected under Batch 1 of the Funding Scheme with a view to taking forward the revitalization projects as soon as possible. EPD will also review Batch 1 of the Funding Scheme to formulate necessary improvement measures to enhance the operation of subsequent batches of the Funding Scheme.

In response to PAC Chairman's recommendations on Kwai Chung Park, Jordan Valley Park and Wan Po Road Pet Garden, relevant bureaux and departments have promptly followed up on the recommendations. I would like to briefly update the progress as follows.

First, Kwai Chung Park ("the Park"). The Park covers a very large area of over 25 hectares surrounded by slopes on restored landfills, which is unique in Hong Kong and much different from other open space projects. Over the past years, progress was mainly impeded by complicated site conditions, technical constraints and competing priorities for other items, hence comprehensive development has not been made. While there is no shortfall of open space in Kwai Tsing District as a whole according to the recommendations of the Hong Kong Planning Standards and Guidelines, the Leisure and Cultural Services Department ("LCSD") has spared no effort to press ahead with the planning work for the Park under the prevailing mechanism. To show the Government's commitment to develop the Park, the Kwai Chung Park project was included in the Five-Year Plan for Sports and Recreation Facilities as announced in the 2017 Policy Address. The Home Affairs Bureau issued the revised Project Definition Statement on 18 May 2018. The Architectural Services Department has taken
immediate action afterwards and submitted the Technical Feasibility Statement to 
the Development Bureau in November 2018 for approval. LCSD and relevant 
bureaux and departments will make the best efforts to implement the Kwai Chung 
Park project in accordance with the Five-Year Plan. The aim is to finish the 
preparatory work such as detailed design and consultation with the Kwai Tsing 
District Council on the design, etc., and seek funding approval from the 
Legislative Council in the legislative year 2020-2021 for commencement of 
works by end 2021.

The Architectural Services Department has shared its experience in the 
construction of the Jordan Valley Park with relevant organizations with a view to 
enhancing the management of works projects at restored landfills in future.

Drawing on the experience of Wan Po Road Pet Garden project, if the 
Home Affairs Department is to take up in future any works project in restored 
landfills, it will implement appropriate measures to address the potential risk of 
unusual ground settlement at the sites.

Regarding "Sha Tin Section of Route 8", works departments have all along 
monitored and managed consultants' performance in strict compliance with the 
relevant government circulars and handbooks including the Engineering and 
Associated Consultants Selection Board Handbook and the Architectural and 
Associated Consultants Selection Board Handbook. Works departments will 
continue to regularly evaluate the consultants' performance and report to the 
bureaux in accordance with the relevant requirements. If the performance of a 
consultant is found to be unsatisfactory, the Government will take appropriate 
regulatory action (including suspension from tendering for consultancy 
agreements for public works projects). The Government will also review the 
relevant circulars and handbooks in a timely manner to facilitate effective 
administration, and will continue to discharge its duties, ensuring that the 
professional services provided by the consultants are up to standards.

As regards the Sha Tin Section of Route 8 works project, there is certainly 
room for improvement on the part of the Government in the vetting and 
monitoring of the consultants' performance. After learning a lesson from this 
experience, the Government updated the Project Administration Handbook for 
Civil Engineering Works in August 2018, requiring the consultants of all works 
departments to consult the works department concerned before issuing official 
replies to tenderers. At the same time, the Highways Department has also
updated internal guidelines to improve the process of checking of contract clauses and drawings, so as to increase the accuracy of checking. Apart from examining tender documents, works departments have to conduct careful checking and pre-tender cross-checking procedures in the preparation of Bills of Quantities, and use the Building Information Modelling technology for checking where appropriate.

We understand that the Audit Commission and PAC have expressed serious concern over contract negotiation process involved in Contract A. Currently, the Government has put in place a comprehensive monitoring mechanism for vetting and approving works departments' solutions to contractual settlements, including extra-contractual settlements. Even if the Approved Project Estimates are not exceeded in the solutions, works departments are required to follow the prevailing government guidelines/requirements and seek approval from the relevant delegated authorities.

Furthermore, works departments should provide copies of approved settlements to the Audit Commission for reference. If the situation warrants, the Audit Commission will conduct audits and, where necessary, report the cases to PAC. The Development Bureau considers that the aforesaid monitoring and reporting mechanism has been working well, and will continue to monitor its operation in order to conduct a review in a timely manner.

President, I would like to sincerely thank the Chairman and all Members of PAC again for their efforts and guidance. Relevant bureaux and departments will strictly follow their responses in the Government Minute and implement the improvement measures as soon as possible to ensure the proper use of public funds.

Thank you, President.

(The President noticed the placards on Members' desks)

PRESIDENT (in Cantonese): Questions. Before we begin the question session, I would like to ask Members to put away the huge placards on their desks as they are blocking my view, and I cannot see whether Members are in their seats.

(Members put away the placards on their desks accordingly)
ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): First question.

Schools applying for all their Primary 3 students to participate in the Primary 3 Territory-wide System Assessment

1. MR IP KIN-YUEN (in Cantonese): President, last year, the Education Bureau ("EDB") resumed the Primary 3 Territory-wide System Assessment ("TSA"), which was administered by the Hong Kong Examinations and Assessment Authority ("HKEAA"). Approximately 10% of Primary 3 students from each public sector and Direct Subsidy Scheme ("DSS") primary school are sampled to participate in TSA. In addition, schools may on their own apply to HKEAA for all their Primary 3 students to participate in TSA ("full participation in TSA"), and may request for their TSA school reports under such circumstances. The Secretary for Education indicated in March last year that EDB would not ask about the relevant information. It has been reported that in variance with the practice adopted last year, HKEAA refuses in this year to disclose the number of schools which applied for full participation in TSA. In this connection, will the Government inform this Council:

(1) of the respective numbers of schools that applied for full participation in TSA last year and this year to date, and the total number of students involved, together with a breakdown by school type (i.e. aided, DSS, government and private primary schools);

(2) as the Chief Executive ("CE") told the media on the 8th of this month that she would "request the various policy bureaux to be more proactive and positive when making arrangements for giving an account of important issues to the media" and that she was "very respectful of the media's function of overseeing the Government for the public", and there are views that the number of schools applying for full participation in TSA provides important reference information for formulating primary schools' curriculum, teaching arrangements and assessment system, whether CE will require EDB to gain an understanding from HKEAA of the reasons for its refusal to disclose the relevant information, so that EDB can give a full account of the implementation of the policy to the public; and
(3) whether it will require schools to consult all of their teachers and all of the parents of their students before they apply for full participation in TSA, so as to implement the policy objectives of "Led by Professionals" and "Listening to Views Directly" in the field of education, as advocated by CE?

SECRETARY FOR EDUCATION (in Cantonese): President, the Coordinating Committee on Basic Competency Assessment and Assessment Literacy ("the Committee") conducted over two years since 2015 a review, during which views of stakeholders, such as school sponsoring bodies, school heads, teachers and parents, were collected through various means and channels in full demonstration of the principles of "Led by Professionals" and "Listening to Views Directly". The Committee's report and recommendations included the arrangements for Primary 3 Territory-wide System Assessment ("TSA") in 2018 and beyond and the related enhancement measures. The Government accepted the recommendations in the report, and started handling Primary 3 TSA separately at the territory-wide and school levels with effect from 2018.

At the territory-wide level, the Hong Kong Examinations and Assessment Authority ("HKEAA") samples around 10% of students from each public sector and Direct Subsidy Scheme school for Primary 3 TSA each year. Students' assessment results are only counted as territory-wide data serving as useful information for the Education Bureau in fine-tuning education policies and curriculum arrangements.

If schools consider that the school-level reports can help them understand the overall strengths and weaknesses of students as well as formulate targeted measures to facilitate students' learning, HKEAA can arrange for full participation of their Primary 3 students in TSA. Respective schools will be provided with individual school reports. Since the Education Bureau merely needs territory-wide data and does not see the number of schools arranging for full participation of students in Primary 3 TSA has any relationship with the primary school curriculum, learning and teaching as well as assessment system, the Education Bureau would not request school reports of individual schools from HKEAA, or enquire about the identities of participating schools.

Primary 3 TSA of 2018 was conducted in May and June last year. The relevant TSA Report was also uploaded to HKEAA's website in mid-October last year.
Our reply to Mr IP Kin-yuen's various questions is as follows:

(1) and (2)

As I pointed out earlier, Primary 3 TSA has been conducted on the basis of "no student names, no school names, no collection of reports and selection of participants by sampling" since 2018. As it is a low-stake assessment, the education sector and the public do not have to be over anxious. Schools arranging their Primary 3 students for full participation in Primary 3 TSA approach HKEAA directly without any involvement of the Education Bureau. Since this is entirely a school-based decision, and the number of participating schools is also not pertinent to the policy objective, the Education Bureau has repeatedly reiterated that it will not enquire about or request school reports of individual schools from HKEAA, or seek information about the identities of participating schools, and does not hold the information about the number and type of schools opted for full participation of their Primary 3 students in TSA in order to avoid being misconstrued as exerting pressure on schools. We feel rather helpless about being sometimes alleged of refusing to disclose data that we do not possess or are not pertinent to policy implementation.

In the same vein, HKEAA is solely adhering to the policy intent of the new arrangements for Primary 3 TSA in taking a prudent approach to handle the information of schools which opted for full participation of their Primary 3 students in TSA. If the number of such schools is disclosed, we cannot rule out that persons holding different views may come up with their own interpretations, thereby exerting undue pressure on schools (irrespective of whether the schools have participated in Primary 3 TSA by sampling or have opted for full participation), as was the case last year in which the government primary schools were accused as "taking the lead" when the majority of government primary schools had been reported for having opted for full participation in Primary 3 TSA.

We understand that the new arrangements for Primary 3 TSA are a matter of concern to Members of this Council, parents, the public and the media, and the Government has the responsibility to explain
its policies to the public. Therefore, in last year, shortly after accepting the Committee's recommendations set out in the review report on Primary 3 TSA, the Education Bureau arranged a briefing session for the media on the same day, and gave an account on the new arrangements to the Legislative Council as quickly as possible, with a view to enabling the public to apprehend that the sampling requirement for Primary 3 TSA and school-based decisions would be handled separately. This was done purely out of respect for the communication with Members of this Council and the media.

We will continue to strengthen communication with Members of this Council and the media on important matters of concern, strive to explain in detail the related policies and their operation, and make our best efforts to provide the information requested and respond to the questions raised as far as practicable.

(3) At present, under the school-based management principle, the School Management Committees ("SMC")/Incorporated Management Committees ("IMC") of government or public sector schools have put in place a well-established mechanism to communicate with stakeholders and seek their views on the handling of daily school matters of various scales, as well as riding on the backgrounds and experience of SMC/IMC members in the education sector, to make decisions that are in the best interests of students. Whether individual schools will arrange for all their Primary 3 students to participate in TSA is a school-based decision, and that should be deliberated professionally by SMCs/IMCs in accordance with their well-established decision-making mechanism.

If individual parents or teachers have any concerns, as in other matters under the purview of school-based management, they could approach the school to express their views. We will continue to keep in view the implementation of school-based assessment through various channels, including inspections, school visits and daily contacts with schools, etc.

The arrangements for Primary 3 TSA have been greatly enhanced. While we do not request schools to opt for full participation in Primary 3 TSA, we neither endorse any measures which would
negatively label schools opting for full participation in Primary 3 TSA. Here, we appeal to members of the community to refrain from exerting pressure on schools on this matter, but to allow room for schools to make school-based decisions professionally to cater for the learning needs of students.

The Education Bureau will, as always, closely monitor the implementation of Primary 3 TSA, maintain communication with schools and stakeholders at hand, explore further room for continued enhancement, and inform the public of the implementation of our policies in a timely manner.

MR IP KIN-YUEN (in Cantonese): President, just now, I glanced through the Basic Law to find that under Article 64 of the Basic Law, the SAR Government must be accountable to the Legislative Council and shall answer questions raised by Members of the Council. These are the constitutional duties of the Government.

Now, I am only asking for a piece of simple information, that is, the number of schools which have applied for all their Primary 3 students to participate in TSA ("full participation in TSA"). What is so confidential about such a simple figure? Yet, the Government has made up excuses for declining to provide the figure and even claimed that the disclosure might lead to arbitrarily interpretation by the public. Can its fear for arbitrarily interpretation justify its refusal to provide the figure? Is it up to the Government to decide which figures to be provided? I am now asking for a figure concerning HKEAA, and the Education Bureau should have provided this figure to show that it is accountable to the Council. Is the current practice of the Education Bureau an indication of its refusal to be accountable to the Council and its disregard of the fundamental constitutional duties of the Government? If this can be tolerated, what cannot be tolerated?

President, the Secretary said that the Education Bureau did not have this figure, but HKEAA, being commissioned by the Education Bureau, did have the figure in hand. Whether HKEAA will provide the figure is thus subject to the instruction of the Bureau. Secretary, my supplementary question is: Can you tell us expressly whether HKEAA is allowed to disclose the figure?
SECRETARY FOR EDUCATION (in Cantonese): President, Mr IP has overplayed the issue. We have full respect for the Legislative Council and understand that, constitutionally speaking, the Government is held accountable to the public through the Council.

We have made it clear in the main reply that we do not hold the information about the number of schools opted for full participation of their Primary 3 students in TSA and do not intend to enquire about it. Members may recall that the Council once strongly criticized the Government for seeking TSA-related information from schools, alleging that we did so to exert pressure on schools, forcing schools to drill students and participate in Primary 3 TSA.

Last year, we gave a full account on the new arrangements for Primary 3 TSA, advising that the assessment would be conducted by sampling and that we would stop asking whether individual schools had arranged for full participation of their Primary 3 students in TSA. These are what we have done according to the policy objective and intent.

Therefore, we do not ask about the number of schools opted for full participation of their Primary 3 students in TSA. We also do not know how Mr IP will, if provided with this figure, judge whether the number is too big or too small. In addition, the figure, big or small, is not pertinent to the policy at all. Should there be more schools taking part in TSA voluntarily, there will be more requests for school reports; if there are fewer schools participating in TSA, there will naturally be fewer requests for school reports. Schools will decide whether to request for school reports based on their professional judgment. Therefore, we cannot see why we have to force HKEAA to act contrary to the intent or policy rationale of this arrangement.

PRESIDENT (in Cantonese): Mr IP, which part of your supplementary question has not been answered?

MR IP KIN-YUEN (in Cantonese): The Secretary has not answered my supplementary question. My question is whether the Bureau will allow HKEAA to disclose the figure but not whether the Bureau will force HKEAA to disclose the figure.
PRESIDENT (in Cantonese): Mr IP, you have already pointed out which part of your supplementary question has not been answered. Please sit down. I think the Secretary has already answered your supplementary question but, Secretary, do you have anything to add?

SECRETARY FOR EDUCATION (in Cantonese): President, we share the same view with HKEAA that we should respect the intent of the new arrangements for Primary 3 TSA and the rationale behind the policy.

MR SHIU KA-CHUN (in Cantonese): President, HKEAA was willing to provide the figure last year but refused to do the same this year on the ground that disclosing the number of schools in Hong Kong opted for full participation in TSA may put undue pressure and burden on schools. My first question is: Last year, HKEAA disclosed only the number of participating schools but not the school names, would this also put pressure and burden on schools? Second, noting the reason given by HKEAA, I wonder why HKEAA suddenly worries about putting pressure and burden on schools this year but did not have the same worry last year.

SECRETARY FOR EDUCATION (in Cantonese): President, it is our practice to review the impacts of our arrangements every year in the implementation of public policies or initiatives. I believe HKEAA has, after learning from last year's experiences and considering all relevant factors, opined that it is no longer necessary or appropriate to disclose the figure in question this year. The Education Bureau fully supports HKEAA's decision and, as I just said, the disclosure practice should tie in with the intent of the new arrangements for Primary 3 TSA.

DR FERNANDO CHEUNG (in Cantonese): President, we are concerned about Primary 3 TSA exactly because we did not want the examination to exert pressure on students. However, after forcibly implementing TSA, the Government claimed that everything would be just fine as long as the names of participating schools were not disclosed. Now, Mr IP is not asking about the names of schools opted for full participation but only the number of such participating schools. Will the disclosure of the figure also put pressure on schools? On the other hand, the Government ignores the pressure borne by students under TSA.
What sort of government is this? How come it does not even provide some basic figures? Will the disclosure of the number of participating schools really put pressure on schools? Is there any transparency to speak of? If TSA has to be conducted so discreetly as if the Bureau has to cover its shame, TSA should no longer be implemented.

PRESIDENT (in Cantonese): Secretary, do you have any reply?

SECRETARY FOR EDUCATION (in Cantonese): President, I think Members seem to have forgotten how they criticized the policy of Primary 3 TSA when the old arrangements were in force. They accused us of exerting pressure on schools by seeking information from schools, which in turn made students feel pressured.

The current new arrangements are introduced to address the previous concerns of Members. After the new arrangements were introduced in 2018, we have obtained information from the community through a number of surveys and found that there is presently no more drilling. Moreover, as TSA is now conducted by way of sampling, most of the pressure or negative impacts which caused concern in the past no longer exist. Therefore, we very much hope that we can conduct TSA in the way we did last year. As for Members' concern over examination pressure, such pressure has been lowered considerably under the new arrangements. As I said in the main reply, we will continue to closely monitor the implementation of Primary 3 TSA. Just like Members and the general public, we do not want to see this assessment putting undue pressure on our students.

MR ABRAHAM SHEK (in Cantonese): President, I would like to remind the Secretary that under Article 73(5) of the Basic Law, we, being Members of the Legislative Council, is duty-bound to raise questions to the Government. Therefore, the Secretary must not criticize Members for raising questions in this Council. Instead, he has to think about how to answer our questions. It is a matter of relationship between the executive authorities and the legislature. While the Secretary cannot refuse to answer Members' questions, he may give reasons to explain why he cannot provide information as requested by the Member. To me, the response given by the Secretary just now was inappropriate.
Secondly, the Secretary had improved TSA after listening to the Council, but has he considered abolishing the Primary 3 TSA completely? Under what circumstances will he consider the abolition?

SECRETARY FOR EDUCATION (in Cantonese): President, Mr SHEK's remark is a good reminder. If my earlier reply has offended Members raising questions, I hereby apologize to all Members. I do not mean to offend them and I respect Members' right to raise questions. As an accountability official, I am obliged to give replies to Members or answer their questions. However, sometimes, when the questions are related to the request for information which runs counter to our policy intent, we cannot provide an answer as we do not have such information, or when I do not think HKEAA should specially prepare such information, I can only give an honest answer.

Mr SHEK asked about the way forward of Primary 3 TSA in his second point. As I said in the main reply, before the new arrangements were introduced in 2018, the Committee had conducted over two years a review to re-examine the rationale, meaning and actual arrangements of Primary 3 TSA. The Committee reaffirmed the value of Primary 3 TSA as it allowed the Government to gauge local students' attainment of basic competencies in Chinese Language, English Language and Mathematics at the end of Key Stage 1 and consider the need to adjust teaching strategies for students above Primary 4 or those in Primary 1 to 3. Therefore, we believe this assessment system should be maintained for us to obtain relevant information.

Of course, we shared the concerns raised by Members in the past. At that time, many voices in the community also held that the so-called drilling and stress issues must be addressed to clear the way for effective learning. As a result, under the new arrangements, Primary 3 TSA is conducted on the basis of "no student names, no school names, no collection of reports and selection of participants by sampling" as stated in the main reply. We hope these methods will allow the Government to keep on obtaining relevant data while solving the old problems of Primary 3 TSA.

During the review, some schools indicated that they found the school reports obtained in the past useful to them. Therefore, schools are given a new option under the new arrangements. They may now decide on their own whether to join the full participation in TSA so as to obtain a school report. The
Government, however, will neither request nor ask for these school reports. Schools have to ask HKEAA directly for the relevant information. This is how the new arrangements of Primary 3 TSA introduced in 2018 operate. I thank Members for giving me an opportunity to explain once again the rationale of Primary 3 TSA and the meaning behind.

MR ABRAHAM SHEK (in Cantonese): President …

PRESIDENT (in Cantonese): Mr SHEK, which part of your supplementary question has not been answered?

MR ABRAHAM SHEK (in Cantonese): I would like to follow up on my question. Can Secretary please tell us how to improve …

PRESIDENT (in Cantonese): Mr SHEK, please follow up on other occasions.


Testing the works quality of the Hung Hom Station Extension under the Shatin to Central Link Project

2. MS TANYA CHAN (in Cantonese): On the 10th of last month, the MTR Corporation Limited ("MTRCL") commenced the work to open up the concrete according to the holistic assessment strategy regarding the platform slabs and diaphragm walls of the Hung Hom Station Extension under the Shatin to Central Link Project ("the assessment strategy"), so as to verify the works quality of the coupler connections. In this connection, will the Government inform this Council:
(1) whether the contractor concerned was required under the law to obtain prior approval from the authorities for deviating, during construction, from the requirements for proper installation of couplers specified by the coupler supplier; if so, of the relevant procedure and stipulations, and whether the authorities have received such applications; if there were deviations but no application has been received, of the authorities’ follow-up actions;

(2) given that Table 6.3 of the assessment strategy merely sets out the maximum percentages of the coupler population with improper connections corresponding to the scenarios in which the 0 to 5 failures are found in the 84 samples (estimated under a 95% confidence level), whether the Government can set out one by one the relevant percentages corresponding to the scenarios in which 0 to 84 failures are found in the samples; of the respective test results under which the Government will require MTRCL to carry out reinforcement works, demolish and rebuild the relevant structures, and reduce the project management fee charged; and

(3) given that Remark 2 in the coupler test results as at the 7th of this month, published on a Highways Department webpage, read as follows: "On the testing location at the bottom of Area C3 of the East West Line slab near the western diaphragm wall, one re-bar and a coupler were found to be unconnected on 4 January 2019 and could not be tested. Details are being investigated", but the sentence "Details are being investigated" was no longer included in Remark 2 published on the webpage updated two days later, whether the relevant investigation had been completed during the interim; if so, of the details; if not, the reasons why that sentence was no longer included?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, my reply to the three parts of Ms Tanya CHAN’s question is as follows:

(1) The Government has always attached great importance to the safety and quality of construction works. As the Hung Hom Station ("HUH") Extension of the Shatin to Central Link ("SCL") project
falls within leased land owned by the Kowloon-Canton Railway Corporation and is governed by the Buildings Ordinance, the construction and quality of the HUH Extension works shall comply with the requirements specified by the Buildings Department ("BD").

BD has specified the relevant requirements about the proposed use of threaded reinforcement bars ("rebars") and couplers in the HUH Extension project, including compliance with the structural material standards, technical specification and quality assurance plan of coupler manufacturer, as well as material tests via on-site sampling.

According to the manufacturer's technical specification, a conforming splicing assembly of threaded rebar and coupler of the type used in the HUH Extension Project should satisfy the following criteria:

(i) there shall be a maximum of two full threads exposed; and

(ii) the embedded length of the threaded rebar screwed into the coupler shall be at least 40 mm.

Apart from the above criteria set by the manufacturer, the assemblies shall comply with the various strength and ductility test requirements specified by BD. If the contractor has complied with the manufacturer's technical specification, BD's requirements for on-site material sampling and testing, and supervision and recording of the splicing assembly works etc., the safety and quality standards of the connections between the threaded rebars and couplers can be assured.

In anticipation of the need of amending the technical specification during the course of the works, the contractor should consult BD and obtain its prior acceptance. In case where the contractor deviates from the technical specification during the course of the works, the concerned competent person shall submit to BD an investigation report and, when necessary, a remedial proposal on the deviations concerned. So far, the Government has not received any application made by the MTR Corporation Limited ("MTRCL") or
contractor on the necessary amendments to or deviations from the technical specification for coupler used in the HUH Extension Project.

(2) Being the Project Manager of the SCL project, MTRCL is responsible for proposing and carrying out all sorts of feasible options to clarify and resolve the problems of the HUH Extension works. After several rounds of discussion with the Government, MTRCL proposed a three-stage approach for the holistic assessment. The first stage is for MTRCL to check relevant construction records and to review the latest amended design drawings. In the second stage, it is required for MTRCL to open up part of the platform slabs at the East West Corridor ("EWC") and the North South Corridor ("NSC") for confirming the as-constructed connection details of the rebars, and whether the couplers and rebars were properly connected. There are two purposes for the opening up exercise in the second stage: (i) opening up the areas without complete construction documentations to verify the as-constructed conditions of the connection between the platform slabs and diaphragm walls of the HUH Extension. This involves 24 locations at the platform slabs of EWC; and (ii) in view of the allegation of bar-cutting, MTRCL has to open up part of connections between platform slabs and diaphragm walls for detailed inspection and make use of non-destructive tests for verification of the workmanship of the coupler connections. This involves opening up 28 random locations each in the platform slabs of EWC and NSC, i.e. 56 locations in total, to expose at least 168 rebars/couplers for inspection. In the third stage, MTRCL will consolidate the test results of the first two stages, including the verified construction details, works quality information, and the technical data provided by the manufacturers; and conduct a detailed structural analysis of the HUH Extension to ascertain whether the overall structural integrity of the works is acceptable, and determine if it is necessary to conduct remedial or strengthening works. Relevant government departments have been strictly monitoring the process.

Table 6.3 of the holistic assessment strategy mainly illustrates the relationship between the number of failures in the samples and the maximum failure rate in the population based on statistical inference.
The "failure" here means that individual coupler and rebars are not installed according to the technical specification. Whether it is required to strengthen or even rebuild the platform slabs due to a certain number of coupler and rebars are not connected in accordance with the technical specification has to be determined after conducting a detailed structural analysis in the third stage.

(3) The Government has been highly concerned about the second stage opening up works under the holistic assessment strategy. To enhance transparency, upon receipt of the new test results, the Government will publish them on the SCL project web page of the Highways Department ("HyD") for reference of the public.

On 4 January 2019, HyD found that a coupler and a steel bar at the test point in Area C3 of the bottom of the EWC slab near the western diaphragm wall were not connected and could not be tested. As it takes time to complete a detailed investigation, but in order to announce the latest test results on the same day, HyD added Note 2 to the web page on the same day giving a brief account of the findings and indicating that the details would be subject to further investigation. BD, HyD and MTRCL conducted on-site investigations in the following few days; and confirmed the situation on 9 January. The phrase "details are being investigated" in Note 2 was thus deleted on the same day. Meanwhile, given that the number of notes has increased as the opening up works proceed and in order to improve the format of the Notes, HyD has presented by table form the information verified and other findings during the opening up process (including the above mentioned information and findings verified on 9 January). The new format has been effective from 19 January for perusal by the public.

MS TANYA CHAN (in Cantonese): President, my colleagues have put in much thought to create this display board. It contains detailed information on the conditions of coupler connections between the EWC slabs and the western diaphragm wall. The upper line shows the failure rates of the connection points at the ceiling, and the lower line shows the failure rates of those at the bottom of the slabs. We can see that the failure rate in Area C3 is 41.9%, which is exceptionally high. Nevertheless, President, it turns out that we can now throw
away this display board. Why? The Commission of Inquiry into the Diaphragm Wall and Platform Slab Construction Works at the Hung Hom Station Extension under the Shatin to Central Link Project ("the Commission of Inquiry") suddenly has to take up a new assignment tomorrow and I think the Secretary should clarify. President, what is the latest development? Earlier, the Police took away from MTRCL six assemblies of problematic couplers and rebars and by adopting the Police's testing method of unscrewing instead of the current non-destructive ultrasonic testing, it was found that only one assembly among the four which initially failed the test has deviated from the standard only by 1 mm. Originally, the Government said that the deviation was only 3 mm in the phased array ultrasonic testing ("ultrasonic testing"), but I can now tell Members that by adopting the Police's method of unscrewing, the rate of deviation can be as high as 11.2 mm. President, the Government has deceived all Hong Kong people …

PRESIDENT (in Cantonese): Ms CHAN, please put your supplementary question directly.

MS TANYA CHAN (in Cantonese): … A test which has been conducted for 40 days now turns out to be a sham. The results of the test may be incorrect. Is the Government fooling all Hong Kong people? I initially wanted to give the Secretary a chance on this occasion to confirm the relevant standards, but it turns out that all the test results may not be reliable. May I ask the Secretary whether he would consider adopting the proposals of other experts, such as the method of unscrewing as adopted by the Police; or whether he would continue to adopt the very unsatisfactory ultrasonic testing and announce the results? If the Policy Bureau does not complete its work in the second stage, it can never proceed to the third stage.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I very well understand the concerns of Members who are now present. Let me give an explanation. After MTRCL proposed to adopt the method of ultrasonic testing to examine the coupler connections, the Government team has considered the proposal very seriously. As I understand it, our team has requested the contractor to conduct various proof-of-concept trails in laboratories, under which rebars were measured under tensile forces. Moreover, in simulated site conditions, rebars were measured when submerged in concrete. After
undergoing the process, the measurement deviation of 3 mm was obtained. When the Government released the investigation data, it has very transparently shown the relevant standards. Thus, the measurement deviation of 3 mm is the result obtained in the examination process.

Concerning the measurement results mentioned at the hearings of the Commission of Inquiry, we are now conducting an in-depth study with MTRCL and other relevant experts, with a view to finding out the reasons before taking follow-up actions. I understand that Members are very worried and concerned about the inconsistent figures. The Government team is now working in full strength to follow up with the relevant experts, laboratories and the contractor. Since we are conducting a comprehensive assessment, we pledge to find out the facts and let the facts speak for themselves before analysing and making inferences in the third stage. In this regard, we will spare no efforts in revealing the actual facts and will report to Members in due course.

**DR KWOK KA-KI** (in Cantonese): President, the SCL Project gives rise to new and serious issues each day. In the past, it was claimed that the ultrasonic testing was very effective, but the Police now found that the result was actually ineffective and inaccurate. In fact, members at the management level of MTRCL were appointed by the Government, and MTRCL's management is shitty, to put it bluntly. There are still incessant cost overruns and repeated delays. Members of the public would like to know when this drama will end and when SCL can be commissioned. The incidents have seriously affected the public. More importantly, MTRCL has behaved in a totally irresponsible manner in the whole incident and we still have to pay it management fees amounting to billions of dollars.

The Government has suffered a double loss in the incident; it has lost its credibility and public money. Will the Secretary still hand out more money to MTRCL, a highly irresponsible company?

**SECRETARY FOR TRANSPORT AND HOUSING** (in Cantonese): President, I thank Dr KWOK for his question. The Government is certainly duty-bound to monitor MTRCL as far as the works are concerned. However, MTRCL, being the project manager and having received management fees amounting to more than $8 million, should be responsible for doing its work properly.
Dr KWOK asked earlier when SCL would be commissioned. We are considering the issue with MTRCL. During the course of the current inquiry, we all understand that many doubts have not been completely resolved. As safety is the prime concern in railway operation, we must first ensure the structural safety of stations before commissioning is considered. Regarding whether SCL will be partially commissioned to facilitate the people in the vicinity, we have to study the issue with MTRCL. Nevertheless, based on what I said earlier, we have to analyse the matter very carefully to ensure safety. We will make an all-out effort.

I would also like to make it clear that if SCL is to be partially commissioned, arrangements have to be made regarding the signaling system, the carrying capacity of the partially commissioned SCL and the ancillary transport facilities at the nearby stations. The work is full of challenges, but we are still actively considering how to overcome such challenges and have not given up yet.

DR KWOK KA-KI (in Cantonese): President, he has not answered the question.

PRESIDENT (in Cantonese): Dr KWOK, which part of your supplementary question has not been answered?

DR KWOK KA-KI (in Cantonese): I have clearly asked him a question on management fees.

PRESIDENT (in Cantonese): Secretary, do you have anything to add?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, thank you, Dr KWOK. Regarding management fees, as we have said on many occasions, we are still negotiating with MTRCL. If MTRCL has deviated from the expected performance in managing the project and carrying out its duties, or has even caused losses to the Government, we will definitely reserve the right to pursue responsibility.

(Dr KWOK Ka-ki stood up and spoke loudly)
PRESIDENT (in Cantonese): Dr KWOK, the Secretary has answered your question. Please sit down.

MR JEREMY TAM (in Cantonese): Secretary, you have set out in the main reply the criteria that there shall be a maximum of two full threads exposed; and the embedded length of the threaded rebar screwed into the coupler shall be at least 40 mm. Nevertheless, the criteria have become very confusing now. The coupler supplier for the HUH Extension of the SCL project, Bosa Technology, indicated that an assembly would be in order if 60% of the rebar was screwed into the coupler and told the public that the testing proved that the assemblies were in order. Nonetheless, the media has recently uncovered the falsity of the statement. The supplier has even fabricated the testing criterion of the maximum number of full threads that can be exposed.

May I ask the Administration how it will respond to the suspected fabrication? Similar incidents have also occurred in MTRCL or Leighton Contractors (Asia) Limited ("Leighton") and worse still, even the rebar supplier has resorted to fabrication in testing; how will the authorities respond? Will the authorities report the matter to the Police to deal with the supplier?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr TAM for the supplementary question.

If we find any act which contravenes the law or involves deception, we will certainly report to the relevant law enforcement authority. I thank Mr Jeremy TAM for the supplementary question. Allow me to give an explanation here.

In response to the earlier news report about the screwing of rebars into couplers, the BD wrote to the coupler supplier on 28 December and requested it to provide justifications and the relevant testing results. The coupler supplier gave a reply to BD on 7 January in which it confirmed that it did not have any testing figures showing the relationship between the assemblies of rebars screwed into couplers and their strength; and clarified that it had no intention to conduct any testing on the embedded lengths of rebars screwed into couplers.
Allow me to elucidate here. It was alleged that staff of BD attended, at the invitation of a coupler manufacturer, a tensile test on assemblies of rebars screwed into couplers in November last year, I wish to put in record that staff of the Architectural Services Department were present on that day to conduct investigation and collect information in accordance with the Buildings Ordinance; they were not present to witness any on-site presentation as alleged. I hope Members will understand that when public officers carry out their law enforcement duties, it is very often inappropriate for them to say too much, especially during the course of investigation, they must remain silent. I hope Members will understand.

MR ABRAHAM SHEK (in Cantonese): President, I declare that I am a non-executive Director of MTRCL.

I am very grateful to the Secretary for answering this question today. He has given us a very clear explanation of the whole incident and has directly answered Members' questions.

President, in the last paragraph of part (1) of the main reply, the Secretary indicated that the Government had not received any application made by MTRCL or Leighton on amendments to the drawings. May I ask the Secretary whether the Administration has set down a timetable for receiving applications on amendments to the drawings? If the institution concerned is a private developer, it would have been prosecuted or punished; why has the Government given MTRCL such preferential treatment?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr SHEK for the supplementary question.

Basically, BD is impartial in enforcing the law. If a private developer or any other institution intends to amend the specifications, it has to obtain prior approval from BD. If the company concerned or the so-called Authorized Persons, Registered Structural Engineers and other qualified persons have not completed the relevant procedure, the company or persons may have breached the requirement of the Buildings Ordinance.
Should this situation arise, BD is empowered to conduct investigations and institute prosecutions. If the relevant works have been completed, though investigations may be conducted and prosecutions instituted, we must consider how the matter should be handled. We will make lawful and sensible arrangements. If the institution can provide all the plans showing details of the design, implementation of works and actual construction with the relevant evidence, BD will be prepared to consider whether a certificate of completion can be issued. Without a certificate of completion, the building concerned cannot be used. I hope Members will understand our spirit of law enforcement.

When I mentioned earlier that some law enforcement officers attended the testing conducted by a certain manufacturer, I might speak too quickly; I was referring to officers of BD but not the Architectural Services Department.

**PRESIDENT** (in Cantonese): Mr SHEK, which part of your supplementary question has not been answered?

**MR ABRAHAM SHEK** (in Cantonese): I would like to follow up on …

**PRESIDENT** (in Cantonese): Mr SHEK, you cannot ask a follow-up question.

**MR ABRAHAM SHEK** (in Cantonese): The Secretary has not answered my supplementary question.

**PRESIDENT** (in Cantonese): Which part of your supplementary question has not been answered?

**MR ABRAHAM SHEK** (in Cantonese): The Government should have a timetable stipulating when the institution should submit its documents. However, according to the Secretary, from 2015 to 2019, i.e. to this day, the Government has not received any documents. I do not understand how this situation could have happened.
PRESIDENT (in Cantonese): Secretary, do you have anything to add?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): I thank Mr SHEK for the supplementary question. In fact, in the process, MTRCL and the contractor understood that they should expeditiously submit to us the necessary plans of design, construction, implementation of works and completion of works together with the relevant evidence. As Members will understand, the contractor has faults in its management or even supervision during the construction process. Thus, it is necessary to open up the concrete and conduct on-site inspections which will take a long time. Therefore, all the relevant figures and documents have yet to be submitted, and such information must meet our requirements concerning railway structure and public safety. We are urging the institutions to provide us as soon as possible all the detailed figures and evidence concerning design, implementation of works and construction.

PRESIDENT (in Cantonese): Third question.

The boundary control point at Liantang/Heung Yuen Wai

3.  MR YIU SI-WING (in Cantonese): President, the boundary control point ("BCP") at Liantang/Heung Yuen Wai ("the new BCP") connecting Hong Kong and Shenzhen East is expected to be completed and commissioned within this year. By then, it will be more convenient for residents of Guangdong and Hong Kong to visit each other and cross-boundary freight transport. In this connection, will the Government inform this Council:

(1) of the latest progress of the construction works for and the expected commissioning date of the new BCP; the respective maximum daily numbers of cross-boundary vehicle trips and passenger trips that can be handled by the new BCP, as well as the expected impact of the commissioning of this BCP on the utilization rates of the various existing land BCPs;

(2) whether it will set different restrictions for different classes of vehicles on using the new BCP; if so, of the details; and
(3) whether it has assessed the changes in the volume of vehicular flow and pedestrian flow as well as the demand for public transport services (e.g. feeder bus services) in the nearby areas after the commissioning of the new BCP; if so, of the outcome; if not, the reasons for that?

SECRETARY FOR DEVELOPMENT (in Cantonese): President, Liantang/Heung Yuen Wai Boundary Control Point ("the new BCP") is one of the major cooperation projects among Guangdong, Hong Kong and Macao stated in the National 12th Five-Year Plan's dedicated chapter on Hong Kong and Macao. It is one of the key infrastructures to strengthen the cross-boundary transport connectivity within the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area"), which can provide Hong Kong with more room for development, foster the flow of people and goods, and promote economic development and regional cooperation under the "one-hour living circle" in the Greater Bay Area. The new BCP will facilitate smooth and efficient people and cargo flows across the boundary, and will play an important strategic role in supporting Hong Kong's long-term economic growth.

Currently, all cross-boundary traffic going from the eastern New Territories to the eastern Shenzhen and Guangdong has to travel through busy local roads in Hong Kong and Shenzhen via the two existing boundary control points at Man Kam To and Sha Tau Kok before joining the highway systems, affecting the convenience of people and cargo flows across the boundary. To address this problem, we are constructing an approximately 11 km long dual two-lane connecting road ("Connecting Road") on the Hong Kong side of the new BCP, to link the new BCP with the Fanling Highway interchange, via Sha Tau Kok Road, Ping Yeung and Lin Ma Hang Road interchanges, thereby improving the traffic in the North District, alleviating the busy traffic conditions in the area of Sha Tau Kok and Ta Kwu Ling, and facilitating long-term development of the North District. The new BCP on the Shenzhen side will connect with the Shenzhen Eastern Corridor to Longgang, whence to the eastern part of Guangdong Province via the Shenzhen-Huizhou Expressway (also known as Huizhou-Yantian Expressway) or the Shenzhen-Shantou Expressway, thereby providing a direct and efficient cross-boundary access between Hong Kong and eastern Shenzhen, Huizhou as well as eastern Guangdong, and greatly reducing the travelling time between Hong Kong/Shenzhen and eastern Guangdong.
The new BCP will be the seventh land-based control points on the Shenzhen-Hong Kong boundary, and will have direct access facilities for both passengers and vehicles. The public may take public transport, private cars or walk through the pedestrian subway to reach the new BCP for immigration clearance. Apart from the Departure Hall and the Arrival Hall, there will be a Public Transport Interchange, pick up/drop off areas for private cars and a public car park with 415 parking spaces inside the Passenger Terminal Building. Besides, there will be a pedestrian subway linking the new BCP with the adjacent Lin Ma Hang Road so that the public can directly access the Passenger Terminal Building on foot. The new BCP is designed to handle 17,850 vehicle trips and 30,000 passenger trips daily, and will help redistribute the cross-boundary traffic amongst the land-based control points in the east, alleviating the busy conditions in the existing control points.

Having consulted relevant Policy Bureaux and departments, I provide a consolidated reply to the three parts of Mr YIU's question as follows:

(1) The construction project for the new BCP comprises various major items of works, including reprovisioning of Chuk Yuen Village and the border patrol road, improvement of Shenzhen River, site formation, construction of the Connecting Road, the new BCP buildings and associated facilities. Regarding the latest works progress, reprovisioning of Chuk Yuen Village was basically completed in 2012, while the reprovisioning of border patrol road and improvement of Shenzhen River were completed in 2015 and 2017 respectively. Meanwhile, construction of the Connecting Road is about 97% complete, and is in the final testing and commissioning stage; construction of the new BCP buildings is about 85% complete, and the subsequent equipment installation and testing and commissioning works have already commenced. We strive to complete the construction of the new BCP this year, while the commissioning schedule for the new BCP will be confirmed through ongoing coordination between the governments of Hong Kong and Shenzhen. The latest progress of the major items of works under the new BCP project is shown in Annex 1.

The design daily handling capacity of the new BCP is 30,000 passengers and 17,850 vehicles. When the new BCP is commissioned, it will help redistribute the cross-boundary traffic
among the control points in the east, and enhance the overall handling capacity of the control points in the east. According to the projections made during the planning stage, we forecast that at the early stage after commissioning the new BCP, the daily passenger and vehicular flows through the new BCP will be about 17,500 and 7,700 respectively. For the two nearby existing control points (i.e. Sha Tau Kok and Man Kam To), the total daily passenger and vehicular flows will be lowered by about 18% and 26% respectively, benefited from the traffic redistribution.

(2) The new BCP is designed and constructed according to the idea of "direct access to people and vehicles". Apart from taking the local public transport services, like franchised buses, green minibuses and taxis, the public can also access the new BCP by private cars. As regards cross-boundary traffic, the governments of Hong Kong and Guangdong are now dealing with the quota arrangement for different categories of cross-boundary vehicles to travel between Hong Kong and Guangdong via the new BCP, including cross-boundary coaches, hire cars, private cars and goods vehicles, so as to meet the different traffic demands of passengers and goods delivery trade.

(3) At the investigation and detailed design stages of the new BCP project, we conducted traffic impact assessments to assess the traffic and transport impacts of the new BCP on the nearby road network. As the new BCP project will provide the new Connecting Road to connect the new BCP with the Fanling Highway, it is anticipated that after commissioning of the new Connecting Road, most of the vehicles travelling between Hong Kong and Guangdong through the new BCP will not use the existing road network in the North District. Therefore, commissioning of the new BCP will not cause significant impact on the traffic in North District. Besides, it is anticipated that part of the existing traffic along Sha Tau Kok Road will be diverted to the new Connecting Road for access to Fanling Highway, thus improving the traffic conditions along Sha Tau Kok Road.

Having considered various factors like the new BCP's geographical location, road and public transport networks, and new demands for public transport services, we have planned appropriate public transport services to facilitate the public's use of the new BCP
conveniently, upon its commissioning. Local public transport services under planning include three franchised bus routes (via Tuen Mun, Yuen Long, Sha Tin, Tai Po, Sheung Shui and Fanling areas), one green minibus route (to and from Sheung Shui MTR Station), coach services for group tourists, and taxi (including urban and New Territories taxis) services. Besides, to ensure that the operators for the three franchised bus routes can handle not only the anticipated demand but also a sudden surge in demand, the Transport Department will take into account the capability of the operators in handling sudden surge in demand when selecting the operators.

Annex 1

Liantang/Heung Yuen Wai Boundary Control Point and associated works
Progress of Works

<table>
<thead>
<tr>
<th>Funding Approval Date</th>
<th>Project Item</th>
<th>Current Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. January 2009</td>
<td>PWP Item 14GB Liantang/Heung Yuen Wai Boundary Control Point and associated works—investigation and preliminary design</td>
<td>Completed in December 2010</td>
</tr>
<tr>
<td>2. April 2010</td>
<td>PWP Item 16GB Liantang/Heung Yuen Wai Boundary Control Point and associated works—village reprovisioning works</td>
<td>Completed in March 2012</td>
</tr>
<tr>
<td>3. February 2011</td>
<td>PWP Item 17GB Liantang/Heung Yuen Wai Boundary Control Point and associated works—detailed design and ground investigation</td>
<td>Completed in October 2013</td>
</tr>
<tr>
<td>Funding Approval Date</td>
<td>Project Item</td>
<td>Current Progress</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>5. July 2012; June 2015</td>
<td>PWP Item 19GB Liantang/Heung Yuen Wai Boundary Control Point and associated works—site formation and infrastructure works</td>
<td>97% completed</td>
</tr>
<tr>
<td>6. January 2013</td>
<td>PWP Item 20GB Liantang/Heung Yuen Wai Boundary Control Point and associated works—boundary control point buildings and associated facilities—pre-construction consultancy services</td>
<td>Completed in December 2014</td>
</tr>
<tr>
<td>7. March 2013</td>
<td>PWP Item 168CD Liantang/Heung Yuen Wai Boundary Control Point and associated works—regulation of Shenzhen River stage IV</td>
<td>Completed in July 2017</td>
</tr>
<tr>
<td>8. June 2015</td>
<td>PWP Item 13GB Liantang/Heung Yuen Wai Boundary Control Point and associated works—construction of boundary control point buildings and associated facilities</td>
<td>85% completed</td>
</tr>
</tbody>
</table>

**MR YIU SI-WING** (in Cantonese): President, the Secretary mentioned in the main reply that upon assessment, the new BCP would be able to divert passenger and vehicular flows from Sha Tau Kok and Man Kam To. However, as far as I know, after the commissioning of the new BCP, a large number of Mainland tour groups will come to Hong Kong via the new BCP instead of Lok Ma Chau in order to save the trouble of taking the "yellow bus" to San Tin. Therefore, the situation then may not be as what the Secretary has assessed, i.e. only Sha Tau Kok and Man Kam To will be affected. The passenger flow at Lok Ma Chau BCP will also be significantly reduced at the same time.

I would like to ask the Secretary whether, in view of the possible errors in the assessment, he will conduct a more detailed assessment and consult the tourism and transport industries so as to make better arrangements at the new BCP.
SECRETARY FOR DEVELOPMENT (in Cantonese): I thank Mr YIU for his supplementary question. I think that Mr YIU’s remark is partially correct. According to the current plan, as I said earlier on, it is anticipated that the new BCP can handle 7,700 vehicle trips in the early-stage commissioning, and the majority of which will be goods vehicles, accounting for 6,000 vehicle trips. As for cross-boundary buses, including cross-boundary tour coaches, Members should also be aware that a quota will be set in the future and at the initial stage, the quota may be about 100. In other words, the impact in terms of vehicle trips is not great, that is, out of the 7,000-odd vehicle trips, cross-boundary buses only take up 200 vehicle trips, on the assumption of same-day return trips. However, Member is right in saying that the operation of the future new BCP will surely take into account, as far as possible, the convenience of cross-boundary tours, thus arrangements will be made to cater for such needs.

PRESIDENT (in Cantonese): Mr YIU, which part of your supplementary question has not been answered?

MR YIU SI-WING (in Cantonese): I asked the Secretary whether he would conduct another assessment after consulting the tourism and transport industries.

PRESIDENT (in Cantonese): Secretary, do you have anything to add?

SECRETARY FOR DEVELOPMENT (in Cantonese): President, let me add a few more words. After the commissioning of the new BCP, the Government will certainly consult the stakeholders in a timely manner in light of the various scenarios of the new BCP.

MR MA FUNG-KWOK (in Cantonese): After the opening of the seventh land-based control point, and coupled with the recent commissioning of the boundary crossing facilities of Hong Kong-Zhuhai-Macao Bridge ("HZMB"), our handling capacity will be greatly increased. I would like to ask the Government whether it has plans to discuss with the Mainland in the future to allow cross-boundary vehicles of the two sides to freely choose a BCP instead of the
designated BCP for immigration clearance. This will greatly enhance the convenience of passenger flows between the two places, and obviate the need to go to the designated BCP for immigration clearance as in the present case. Apart from tour coaches which have to use designated BCPs, may I ask the Secretary whether he will consider relaxing all other vehicles to freely enter and exit various BCPs?

SECRETARY FOR DEVELOPMENT (in Cantonese): I thank Mr MA Fung-kwok for his supplementary question. In fact, if Members look at the figures of various land-based vehicular BCPs of the two places, no significant changes have been recorded over the past 10 years. The normal vehicle trips stand at more than 40 000. The figure had risen to as high as 43 000 vehicle trips in some years, but then it dropped again.

After the commissioning of HZMB, I noticed that the latest figure is about 3 000-odd vehicle trips per day which still falls within the range of 40 000-odd vehicle trips. As regards whether the vehicular flow will increase substantially after the opening of the new BCP in the future, we really have to wait and see. The planning of the new BCP back then has two major purposes: Firstly, it is mainly a BCP for goods vehicles, and as I said just now, among the 7 000-odd vehicle trips, more than 6 000 are goods vehicles. Secondly, we believe the new BCP will have a diversion effect. The traffic flow to be generated by the new BCP may not necessarily be additional traffic, but will mainly be the vehicular flow diverted from the nearby Sha Tau Kok and Man Kam To BCPs. However, Mr YIU is also right in saying that some vehicles will be diverted from Lok Ma Chau BCP.

According to my understanding, at present, ordinary goods vehicles may enter or exit Hong Kong and the Mainland at any BCP, but small vehicles are generally not allowed to do so. As far as I understand it, upon the commissioning of the new BCP, there will not be any change or new idea in terms of the arrangement. Nonetheless, in the long run, I think it will all depend on the development of the new BCP.

MR KENNETH LAU (in Cantonese): President, in his main reply, the Secretary said that the new BCP linked up areas such as eastern Shenzhen, Huizhou and eastern Guangdong, and the original design is mainly to handle goods vehicles,
but there are bound to be passengers. I would like to ask the Government whether it has taken into account the diversion effect of the new BCP in planning, for example, the visitor receiving capacity of areas such as Sheung Shui and Fanling.

SECRETARY FOR DEVELOPMENT (in Cantonese): I thank Mr LAU for his supplementary question. The new BCP has several challenges: Firstly, with regard to the southbound vehicles of the new BCP, that is, inbound vehicles, as I said earlier on, the Lung Shan Tunnel will soon open to traffic. Our current thinking is that, since the construction progress of the nearby road infrastructure is faster than that of the new BCP, that is, the new BCP is about 85% complete whereas the road is 97% complete, therefore the latter will first open to traffic upon completion. In other words, inbound passengers entering via the new BCP will not need to access the Fanling Highway via other routes such as Sha Tau Kok Road, but can simply pass through the Lung Shan Tunnel, that is, the section between Tai Hang and Wo Hop Shek. This section is now undergoing an extension to widen from the existing dual three-lane configuration to a dual four-lane configuration, and I understand that the project will also be completed within this year.

Secondly, we are also very concerned if the new BCP will give rise to nuisance caused by parallel traders. We will certainly pay close attention to this situation. As regards whether there will be an influx of visitors to certain areas, as I said earlier on, Members may notice from the total daily passenger flows at various BCPs that there are some 700,000 passenger trips per day, and it is only some 10,000 passenger trips for the new BCP. Thus, the net increase may be less than 2%. If we take into account the diversion effect as well, the increase will be even smaller. In any event, once it is found that visitors have caused nuisance to any place, measures will be taken. I am aware that Secretary Edward YAU has already briefed the Legislative Council on a number of occasions of the measures to be taken. We will certainly closely monitor the situation and take appropriate measures in due course.

MR FRANKIE YICK (in Cantonese): President, upon the commissioning of the new BCP, it will adopt the so-called "East in, East out; West in, West out" approach and the number of land BCPs for freight transport will be reduced from existing four to two, leaving only the Shenzhen Bay Port in the west and the future
new BCP in the east. However, according to the information obtained by me, 24-hour clearance will only be provided at the Shenzhen Bay Port in the west in the future. Therefore, if manufacturers need to transport their goods to Hong Kong for timely shipment overseas, they will have to make a detour and deliver their goods to Hong Kong via the Shenzhen Bay Port in the west. This will nonetheless greatly increase the costs and time for transportation, thereby seriously undermining the competitiveness of Hong Kong.

I would like to ask the Secretary whether the authorities will request the Mainland to likewise implement 24-hour clearance at the new BCP in the future.

UNDER SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): I thank Mr Frankie YICK for his question. At present, the operating hours of Man Kam To and Sha Tau Kok BCPs are from 7:00 am to 10:00 pm. As for the new BCP under construction, the Government is actively negotiating the operating hours with the Mainland authorities. The Government understands that the industry's request for 24-hour cargo clearance is made out of practical consideration, therefore in response to the same question raised last year, I had expressed my consent to the need to have at least one 24-hour BCP.

With regard to the future operating hours and clearance arrangements of the new BCP, the Government is now liaising closely with the Mainland and has yet to have a final decision. Once a final decision is made, the Government will expeditiously report to and consult Members. As a matter of fact, the operating hours must be approved by the State Council.

MR LAU KWOK-FAN (in Cantonese): President, it was the North District Council which strived for the construction of the new BCP back then. It is not only the first land-based BCP with direct access to people and vehicles in the territory, but is also a control point located in the North District, providing convenience to Hong Kong people going to the east of Shenzhen or elsewhere. Everyone is looking forward to the commissioning of the new BCP. However, the construction process has caused traffic congestion in the North District. The completion date of the new BCP was originally scheduled to be 2018, which means that it should have opened to traffic last year, but I heard that the project has been delayed time and again because of the Leighton Contractors (Asia) Limited. I would like to ask the Secretary when the road network of the Lung
Shan Tunnel and the new BCP will be opened to traffic such that the congestion problem in the North District can be expeditiously resolved and people travelling to Shenzhen and Huizhou will be more convenient.

SECRETARY FOR DEVELOPMENT (in Cantonese): I thank Mr LAU for his supplementary question. With regard to the hardware construction of the new BCP, we very much hope that it can be completed around the middle of this year, but as pointed out by Under Secretary Dr SO just now, take for example the case concerning the ports of HZMB, completion of the hardware construction will be followed by numerous software testing works, and the specific timetable has to be approved by the State Council. Therefore, we are unable to say for sure the date of commissioning.

With regard to road works, we believe the completion date will be earlier than the hardware works of the new BCP. In other words, it seems that the road works will be completed in the second quarter. I made it very clear at the meeting of the North District Council last week that the Transport and Housing Bureau and I were aware that residents in the North District looked forward to using the road. If residents living near Sha Tau Kok and Ta Kwu Ling can access the Fanling Highway via the Lung Shan Tunnel, that is, the Tai Hang Village section, the travelling time will be shortened by almost 15 to 20 minutes. Therefore, our direction is very clear. Upon completion of the road, it will be opened to traffic, without having to wait for the commissioning of the new BCP.

MR PAUL TSE (in Cantonese): President, the Secretary mentioned in the main reply that the new BCP is designed to handle 30 000 passenger trips and 17 850 vehicle trips, and it is anticipated that the daily passenger flow and vehicular flow at the initial stage of commissioning will be 17 500 and 7 700 respectively. However, referring to the experience of HZMB, there were serious errors in the assessment figures, both in terms of passenger flow and vehicular flow, and the transport arrangements were also very chaotic in the initial stage of operation. May I ask the Secretary, by drawing on the experience of HZMB, what measures will be introduced to improve the projection and the initial arrangements in respect of the new BCP?
SECRETARY FOR DEVELOPMENT (in Cantonese): I thank Mr TSE for his supplementary question. I think we are duty-bound to take proper supporting measures for the new BCP. Judging from the current situation of the new BCP and as pointed out by Mr TSE earlier on, our projection was made at the planning stage. As seen from the recent development of the new BCP, the vehicular flows of the nearby Man Kam To and Sha Tau Kok BCPs have actually dropped slightly in the past year or two, and the passenger flows have not greatly increased either. Increase in cross-boundary passenger flow was mainly recorded in the west, that is, HZMB, in recent years. Is it better for the actual passenger flow to be higher or lower than our estimate? At present, the passenger flow may be lower than our estimate, but we still have to monitor the situation.

Furthermore, I have one or two more points to share with Mr TSE. HZMB itself is a tourist attraction, and the ports are also beautiful attractions. While the design of the new BCP is also good, we do not think it will become a tourist attraction. On the other hand, as I said just now, many cross-boundary vehicles passing through the new BCP will have direct access to Fanling Highway via the Lung Shan Tunnel before entering the urban area via Tolo Highway. What are the expected challenges? We are not expecting challenges arising from an increasing number of visitors as this can be dealt with. At present, our attention is whether there will be a large number of parallel traders in the future, given that there is a car park nearby which is within walking distance of the new BCP. Therefore, we will closely monitor if nuisance will be caused by parallel traders to other people in the future.

PRESIDENT (in Cantonese): Fourth question.

Raising the eligible age for elderly Comprehensive Social Security Assistance

4. DR FERNANDO CHEUNG (in Cantonese): On the 7th of this month, the Government announced that starting from the 1st of next month, the eligible age for elderly Comprehensive Social Security Assistance ("CSSA") would be changed from 60 to 65. As that measure has aroused grave concerns in the community and among Members of this Council, this Council passed on the 17th of this month an amendment proposed by me to a related motion, urging the
Government to "shelve the tightening of eligibility age for elderly CSSA to 65". The Government announced on the 18th of this month that starting from the 1st of next month, an Employment Support Supplement ("ESS") of $1,060 would be provided monthly to able-bodied adult CSSA recipients aged between 60 and 64. In this connection, will the Government inform this Council:

(1) of the total amount of CSSA payments granted to elderly CSSA recipients aged between 60 and 64 in each of the past five years, and a breakdown of the number of such recipients by the following characteristics: educational attainment, years of stay on CSSA, the trades and positions in which they were previously employed, whether or not they had any record of work injuries, and current employability (including health conditions and types of jobs which are suitable for them to take up); whether it has assessed the reasons for the number of elderly CSSA recipients dropping continuously in the past five years;

(2) of the anticipated number of able-bodied adult CSSA recipients aged between 60 and 64 in the current year and each of the coming five years, and the total amount of ESS they will receive; given that the objective of ESS is to encourage the recipients to join the labour market, of the reasons for not granting the supplement to able-bodied adult CSSA recipients aged below 60; and

(3) of the respective names of the various supplements and special grants (e.g. grants covering costs of dental treatment and glasses) for which elderly CSSA recipients are eligible but able-bodied adult CSSA recipients are ineligible; in respect of each of those items, the number of recipients and expenditure in each of the past five years; the Government's justifications for deciding that starting from the 1st of next month, all of those elderly persons aged between 60 and 64 who cannot receive elderly CSSA may not receive such supplements and special grants?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, in view of the improved life expectancy of the population of Hong Kong and the trend of extending the retirement age to 65, the Government announced in the
Policy Address in January 2017 that the eligible age for elderly Comprehensive Social Security Assistance ("CSSA") will be adjusted from 60 to 65. The relevant adjustment is one of the social security measures announced in the above mentioned Policy Address. Other measures include raising the asset limits for the Normal Old Age Living Allowance ("OALA"), introducing the Higher OALA, implementing the Fujian Scheme in addition to the Guangdong Scheme, etc. In this connection, the Higher OALA, which has been implemented for about six months since its launch in June 2018, has become the social security programme with the highest number of elderly recipients aged 65 or above. At present, around 480,000 elderly persons are receiving the higher allowance of $3,485 per month. With about 60,000 Normal OALA (currently at $2,600 per month) recipients, OALA programme covers some 540,000 elderly persons aged 65 or above, involving an annual recurrent expenditure of about $24 billion.

Regarding the adjustment of eligible age for elderly CSSA from 1 February this year, I would like to reiterate that persons aged between 60 and 64 who have received elderly CSSA before 1 February this year will be "grandfathered" and not be affected. CSSA payments of persons with disabilities or persons in ill-health will not be affected either. They will, regardless of age, continue to receive CSSA payments which are higher than those applicable to able-bodied adults. It is noteworthy that around 70% of CSSA recipients aged between 55 and 59 are with disabilities or in ill-health.

As for the able-bodied recipients aged between 60 and 64 under the new arrangement (i.e. those who are not disabled, in ill-health or have not received elderly CSSA), they will continue to be entitled to the basic living protection as able-bodied adults under CSSA and receive the standard rates and special grants that are applicable to able-bodied adults (including rent allowance, water and sewage charge allowance, burial grant, child-care grants and school grants which are disbursed on a need basis). Furthermore, they will also benefit from the disregarded earnings ("DE") arrangement, i.e. the recipients will have part of their monthly earnings from employment disregarded in CSSA assessment. In other words, they will have extra income on top of their CSSA payments. Recipients will be entitled to the maximum DE level of $2,500 if their employment earnings reach $4,200. In addition, CSSA recipients are entitled to medical fee waiver for public health care.
The Government has announced that it will put in place, with effect from 1 February this year upon the adjustment of eligible age for elderly CSSA, the Employment Support Supplement under CSSA Scheme especially designed for able-bodied adults aged between 60 and 64. Eligible recipients will be provided with a fixed rate of $1,060 per month (i.e. the difference between the monthly CSSA standard rates applicable to singleton able-bodied elderly and singleton able-bodied adult recipients). The supplement seeks to encourage able-bodied adult recipients aged between 60 and 64 to join the labour market. It will also benefit employed able-bodied adult recipients in this age group to support them to remain in employment. The supplement will be adjusted annually according to the established mechanism. Moreover, the Social Welfare Department ("SWD") will provide suitable employment support to these persons under the "Integrated Employment Assistance Programme for Self-reliance" according to their situation and needs. The Labour Department ("LD") has also enhanced the Employment Programme for the Middle-aged, and renamed it as the Employment Programme for the Elderly and Middle-aged ("EPEM") on 1 September 2018. Employers engaging mature job seekers aged 60 or above who have left the workforce or are unemployed would receive a monthly on-the-job training allowance up to $4,000 per employee for a period of 6 to 12 months under EPEM.

My reply to parts (1) to (3) of the Member's question is as follows:

(1) The breakdown of the number of CSSA recipients aged between 60 and 64 by their education level, their duration of receiving CSSA and their categories of standard rates in the past five years is set out at Annex 1. CSSA Scheme is a household-based programme. SWD disburses standard rates, supplements and special grants to CSSA cases according to their respective number of family members as well as the needs of individual members. In this connection, SWD does not maintain the total amount of CSSA payment disbursed to recipients aged between 60 and 64. It also does not maintain information on their employment and work injury records.

Meanwhile, there is a slight decrease in the number of elderly CSSA cases in the past five years. The figure at end 2018 (i.e. 142,364 cases) registered a 6% decrease as compared with that in five years ago (i.e. 151,151 cases in early 2014). Indeed, the relevant figure has remained between 140,000 and 150,000 since 2003. Whether a person applies for or continues to receive CSSA involves a number
of factors and considerations, including individual, family and socio-economic circumstances. It should be noted that CSSA Scheme is only a part of the Government's cash assistance system. We have put in place various measures to cater for the different needs of needy persons. In particular, the expenditure on cash assistance programmes targeting at elderly group, i.e. persons aged 65 or above (i.e. the expenditure arising from the Old Age Allowance and the recently introduced Normal OALA and Higher OALA) has exceeded the overall expenditure on all age groups under CSSA Scheme. Such expenditure will continue to increase significantly given the ageing population.

(2) The Government has reiterated that the adjustment of eligible age for elderly CSSA is not intended for reducing expenditure. Having regard to the views from the public and stakeholders (including members of the Legislative Council), SWD will provide the Employment Support Supplement to able-bodied adult recipients aged between 60 and 64 upon the implementation of the relevant arrangement on 1 February this year. Taking into account the job seeking and employment situation of the persons concerned, the supplement aims to encourage them to join the labour market and remain in employment. In fact, the above mentioned EPEM administered by LD has specifically provided higher on-the-job training allowance to employers of eligible persons aged 60 or above.

As I have pointed out earlier, whether a person applies for or continues to receive CSSA involves a number of individual, family and socio-economic considerations. The Government is unable to provide an accurate assessment on the number of able-bodied adult recipients aged between 60 and 64 of and the expenditure under the Employment Support Supplement. In fact, CSSA is a non-cash limited programme and all eligible persons in need would be provided with support.

As at end November 2018, there were about 6,500 able-bodied CSSA recipients aged between 55 and 59. If they remain able-bodied and need to receive CSSA when they reach the age of 60 on or after 1 February this year, they will benefit from the
Employment Support Supplement. CSSA able-bodied applicants aged between 60 and 64 who have not received elderly CSSA before 1 February this year are also eligible for this supplement.

(3) CSSA households are provided with different standard rates according to the number of household members and their circumstances to meet their different basic needs. Apart from the standard rates, CSSA Scheme also provides eligible households with supplements and special grants. For example, able-bodied adult recipients are eligible for rent allowance, water and sewage charge allowance, burial grant, child-care grants and school grants according to their needs. Single parents are entitled to the Single Parent Supplement. Furthermore, the Government will provide the Employment Support Supplement to able-bodied adult recipients aged between 60 and 64 from 1 February this year. These supplements and special grants as well as items particularly applicable to recipients who are elderly, disabled or in ill-health are set out at Annex 2.

However, as mentioned earlier, CSSA is payable on a household basis and SWD does not maintain the respective number of recipients of and expenditure under each of the supplements and special grants.

Annex 1

Table 1: Number of CSSA recipients aged between 60 and 64 by educational level

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<tbody>
<tr>
<td>No schooling/kindergarten</td>
<td>4 645</td>
<td>4 263</td>
<td>4 022</td>
<td>3 761</td>
<td>3 642</td>
</tr>
<tr>
<td>Primary school</td>
<td>15 692</td>
<td>15 080</td>
<td>14 596</td>
<td>14 185</td>
<td>14 046</td>
</tr>
<tr>
<td>Junior secondary school</td>
<td>3 908</td>
<td>4 072</td>
<td>4 232</td>
<td>4 420</td>
<td>4 550</td>
</tr>
<tr>
<td>Senior secondary school</td>
<td>2 167</td>
<td>2 230</td>
<td>2 397</td>
<td>2 629</td>
<td>2 792</td>
</tr>
<tr>
<td>Tertiary</td>
<td>266</td>
<td>257</td>
<td>271</td>
<td>280</td>
<td>314</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>15</td>
</tr>
</tbody>
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Table 2: Number of CSSA recipients aged between 60 and 64 by duration of receiving CSSA

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<tr>
<td>One year or below</td>
<td>2 318</td>
<td>2 100</td>
<td>2 371</td>
<td>2 214</td>
<td>2 352</td>
</tr>
<tr>
<td>More than one year to three years</td>
<td>4 220</td>
<td>4 139</td>
<td>3 962</td>
<td>4 053</td>
<td>4 146</td>
</tr>
<tr>
<td>More than three years to five years</td>
<td>3 601</td>
<td>3 260</td>
<td>3 145</td>
<td>3 083</td>
<td>3 125</td>
</tr>
<tr>
<td>Above five years</td>
<td>16 539</td>
<td>16 403</td>
<td>16 040</td>
<td>15 927</td>
<td>15 736</td>
</tr>
</tbody>
</table>

Table 3: Number of CSSA recipients aged between 60 and 64 by the category of CSSA standard rate

<table>
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<tbody>
<tr>
<td>Able-bodied/50% disabled*</td>
<td>17 942</td>
<td>16 829</td>
<td>15 963</td>
<td>15 188</td>
<td>14 700</td>
</tr>
<tr>
<td>100% disabled</td>
<td>7 681</td>
<td>7 965</td>
<td>8 399</td>
<td>8 836</td>
<td>9 330</td>
</tr>
<tr>
<td>Requiring constant attendance</td>
<td>1 048</td>
<td>1 103</td>
<td>1 148</td>
<td>1 245</td>
<td>1 317</td>
</tr>
</tbody>
</table>

Note:

* Owing to the limitation of the categorization of CSSA recipients, SWD does not have the breakdown of able-bodied recipients aged between 60 and 64. The above figures include CSSA recipients aged between 60 and 64 who were 50% disabled.

Annex 2

Supplements and Special Grants under CSSA Scheme

Supplements

- Applicable to able-bodied adults/children recipients—single parent supplement and the employment support supplement which will be provided to able-bodied adult recipients aged between 60 and 64 starting from 1 February this year.
- Applicable to recipients who are elderly, disabled or in ill-health—single parent supplement, long-term supplement, community living supplement, residential care supplement and transport supplement.

Special Grants

- Applicable to able-bodied adults/children recipients—rent allowance, water and sewage charge allowance, burial grant, child-care grants and school grants.

- Applicable to recipients who are elderly, disabled or in ill-health—housing and related grants (including rent allowance, water and sewage charge allowance, grant for rent deposit, grant for water, electricity and gas/LPG deposits for accommodation in public housing, domestic removal grant, grant to cover telephone installation fees, grant to cover monthly telephone charges, etc.), family grants (i.e. grant to cover fare to and from hospital/clinic and other essential travelling expenses and burial grant), medical and rehabilitation grants (including special diet allowance, grant to cover costs of medical, rehabilitation, surgical appliances and hygienic items, grant to cover costs of glasses, grant to cover costs of dental treatment, etc.), child-care grants and school grants.

**DR FERNANDO CHEUNG (in Cantonese):** President, in the main reply, the Secretary did not answer many of my questions, which include why the Government suddenly thinks that elderly CSSA recipients aged between 60 and 64 do not need the grants for dental treatment and glasses, and why persons aged under 60 who are receiving CSSA but are actively looking for jobs are not eligible for the Employment Support Supplement. He, of course, has not answered my question about the anticipated number of these types of persons in the future. But most importantly, he has not answered part (1) of my question concerning the employability of elderly CSSA recipients. The Government just says that cutting benefits for elderly CSSA recipients aged between 60 and 64 will make them re-enter the labour market, without taking into account what their physical conditions are, what jobs are suitable for them, whether they are currently employed, why they are out of work or why they need CSSA. What evidence does the Government have that suggests that they will look for employment if the benefits are cut?
SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, the policy does not aim to force anyone to look for employment. As I pointed out in the main reply, the policy is introduced based on such factors as the extension of the retirement age to 65 and the improved average life expectancy of our population.

MR WILSON OR (in Cantonese): President, I am very disappointed with the Secretary's answers in the main reply, which can just not set the public's mind at ease, especially when we have all along called upon the Government to introduce new measures to help the elderly who have difficulties in employment and who are in need of living assistance. In short, the Secretary has avoided answering my question.

Frankly speaking, "Nobody with a head of hair will want to look bald". Many elderly people want to earn their own living. Unfortunately, the employment support measures are unable to catch up with the present situation. May I ask the Secretary apart from providing incentives to employers, what encouragement or incentives he would consider providing to elderly people to make them see the hope? Will the Secretary also tell me how many people in that age group were indeed employed before? The authorities introduce this new measure while saying there is no information on this, which to me is definitely a case of putting the cart before the horse.

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, the Member has raised several supplementary questions but …

PRESIDENT (in Cantonese): Secretary, you may choose to answer one of the questions.

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): … Regarding the last part, I can provide some rough figures. According to the record, last year about 2 000-odd people aged 60 or above …
PRESIDENT (in Cantonese): Secretary, there was a great echo from the amplifying system when you spoke on the floor. Do you have a mobile phone or other electronic equipment by your side?

(The Secretary for Labour and Welfare adjusted the position of the microphone he was wearing)

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Is it clear now?

PRESIDENT (in Cantonese): Please continue with your speech.

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): I do not have any specific figures for 2018 in hand but, as far as I can remember, there were about 2,000 CSSA recipients aged 60 or above who applied to SWD for DE benefits. It means that about 2,000 persons had employment earnings.

Moreover, as I have pointed out in the main reply and on previous occasions, in the work ahead, we hope to enhance the cooperation between non-governmental organizations and SWD to provide better integrated employment assistance services. Also, to this end, we hope to work more closely with LD to obtain information on employment and with the Employees Retraining Board to provide training and employment assistance services. We hope to enhance collaboration and provide better employment assistance for those looking for work, especially older people.

MR SHIU KA-CHUN (in Cantonese): President, the Government's so-called adjustment is, in effect, a move to cut future CSSA payments for elderly people aged between 60 and 64, which will make their lives more difficult. May I ask the Secretary, according to the data provided by the Government, about 70% of CSSA recipients aged between 60 and 64 had an education level of primary or below, what jobs in the market are suitable for these people at their advanced age? Will the Government take the lead to hire them?
SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, we know that at present older people are generally less educated, which can be attributed to the history of the development of our education system and the speed of popularization of education. As far as we understand, the jobs provided by LD offer wages in the range of $8,000 or $9,000 to $18,000 or $20,000.

As a matter of fact, the number of elementary workers in Hong Kong has declined. While the demand for elementary workers has slowed down, the number of these workers has declined at a faster pace. As a result, there is currently a shortage of labour for elementary jobs in general and I believe such a situation is quite common. In this context and against this background, we believe it is much easier for older workers to find jobs now.

PRESIDENT (in Cantonese): Mr SHIU, which part of your supplementary question has not been answered?

MR SHIU KA-CHUN (in Cantonese): The Secretary has not answered my supplementary question. I asked him if the Government would take the lead to hire the elderly people aged between 60 and 64. So far only five have been hired.

PRESIDENT (in Cantonese): Mr SHIU, you have pointed out the part of your supplementary question that has not been answered. Secretary, do you have anything to add?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): I believe that Mr SHIU's information is not accurate. Three of my secondary schoolmates, whose ages range between 60 and 64, are now working with the Government and I believe there are more such people currently employed by the Government. Since the retirement age of the new government recruits has been raised to 65, anyone below 65 is qualified to apply in the Government's open recruitments. Moreover, many older people are employed to take up jobs outsourced by the Government.
DR JUNIUS HO (in Cantonese): I would like to follow up the supplementary question raised by Mr SHIU Ka-chun. The Government should take the lead to provide more jobs for the elderly people aged between 60 and 64. The Secretary has just said that there are many jobs available to these people but I think that the application thresholds may be rather high. But in the case of voluntary work, can the Government take the lead to recruit these older people who have the experience and energy to work on a semi-voluntary basis? They may not be high-paying jobs and their thresholds are lower. Will the Secretary explore this possibility?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, older people and retirees are actively engaged in voluntary work. However, Policy Bureaux and other government departments very often need to hire certain older retirees back to work. The Civil Service Bureau has been sending out information to other departments recently. Those departments which wish to re-employ retired civil servants will obtain the relevant information and assistance.

MR AU NOK-HIN (in Cantonese): President, I would like to remind the Secretary that "Uncle Chi", aged 64, died suddenly a few weeks ago in Tsim Sha Tsui East because he worked several part-time jobs. In fact, many countries will conduct review on the retirement protection in parallel with considering the extension of the retirement age of their people. Some countries even provide their people with two thirds of their work salaries as retirement protection. May I ask if the Secretary has reviewed the post-retirement social security of the elderly, including the implementation of universal retirement protection, in handling the issue of raising retirement age?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, between December 2015 and June 2016, the Government conducted a rather comprehensive consultation on retirement protection and published the consultation results in 18 January 2017. After that, it announced a series of measures. Just now, I also mentioned in the main reply that we have increased the amounts of some welfare payments for the elderly, including the Higher OALA.
MR AU NOK-HIN (in Cantonese): President, the Secretary has not answered my supplementary question.

PRESIDENT (in Cantonese): Mr AU, which part of your supplementary question has not been answered?

MR AU NOK-HIN (in Cantonese): He did not answer me whether he had reviewed the implementation of universal retirement protection.

PRESIDENT (in Cantonese): Mr AU, I think the Secretary has answered your supplementary question already. Nevertheless, Secretary, do you have anything to add?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, I have nothing to add.

MR PAUL TSE (in Cantonese): President, in the third paragraph of the main reply, the Secretary has mentioned that under different circumstances, eligible households are given special grants including rent allowance, water and sewage charge allowance, burial grant and child-care grants, and some single parents are entitled to the Single Parent Supplement. There is also the Employment Support Supplement.

However, the Secretary has also pointed out in his reply that CSSA is payable on a household basis and hence the respective number of recipients of and expenditure under each of the supplements and special grants have not been maintained. In respect of the calculation of cost-benefit, will the lack of such information lead to blind spots in the formulation of policies, which will give rise to controversies, like those in recent days?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, when the Government releases the information about various types of CSSA recipients, normally it will provide the respective numbers of old people, single parents, and recipients in poor health, and so on. An applicant can be an adult,
an old person and can also be a single parent. We have maintained these particulars and we will take them into account when conducting analyses.

However, the information requested by Dr Fernando CHEUNG in the main question is maintained in the current records. When there is a need for more detailed analyses, it will take time for us to sort it out. If we want to look into the CSSA system in greater depth, we will also conduct special analyses and studies to facilitate our relevant decision-making process.

PRESIDENT (in Cantonese): Fifth question.

Implementing park-and-ride schemes

5.  MR CHAN HAN-PAN (in Cantonese): President, in recent years, more and more members of the public have moved to reside in remote rural areas in the New Territories. Owing to a lack of public transport services in such areas, they need to commute, by private cars, to and from the nearby town centres for meeting their daily needs, or to and from the urban areas for work. In order to relieve the pressure generated by the growing number of private cars on the road networks in the urban areas, the Government has over the years implemented park-and-ride ("PnR") schemes, which offer concessionary parking fees to encourage members of the public to park their private cars near public transport hubs or railway stations and then take public transport to go to the urban areas. In this connection, will the Government inform this Council:

(1) of the public transport hubs and railway stations at which a PnR scheme is currently implemented; the number of parking spaces, their utilization rates during peak and non-peak hours, the percentage of time when such parking spaces were fully occupied, the levels of parking fees charged and the concessions offered, at each of such locations in each of the past three years;

(2) given that the problem of road congestion in the urban areas is worsening, whether the Government will increase substantially the number of parking spaces and parking fee concessions provided under PnR schemes; if so, of the details; if not, the reasons for that; and
as there have all along been suggestions from members of the public for implementing an extensive PnR scheme at the Tuen Mun Road Bus-Bus Interchange and the Tai Lam Tunnel Bus-Bus Interchange as well as increasing the number of parking spaces provided under the PnR schemes near Kam Sheung Road Station of the West Rail Line and Sheung Shui Station of the East Rail Line, whether the Government has followed up those suggestions; if so, of the details; if not, the reasons for that?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, the Government has been adopting a public transport-oriented policy, which encourages the public to make good use of the public transport network for their journeys as far as possible and minimize their reliance on private cars. Railway provides high capacity and convenient services. It is a green and efficient mass transit. Thus, the Government has all along adopted railway as backbone of the public transport system, while coordinating the complementarity among different public transport services, including franchised bus services with high capacity, and public light buses which provides supplementary feeder services. In fact, over 12 million passenger trips, accounting for nearly 90% of the total passenger trips, are made on public transport every day, the usage of which is the highest in the world.

On this basis, the Government supports the provision of park-and-ride ("PnR") facilities at or near suitable railway stations to encourage drivers to take the train after parking their vehicles, hence reducing the road traffic entering congested areas.

My reply to the various parts of Mr CHAN Han-pan's question is as follows:

Currently, there are 25 car parks providing PnR concessions in Hong Kong, nine of them are managed by the Housing Department and the MTR Corporation Limited ("MTRCL"), 12 are managed by the Link Asset Management Limited ("the LINK") and four are managed by other private companies, providing a total of around 10 000 parking spaces.

Among the aforesaid car parks, the nine car parks with PnR services managed by the Housing Department and MTRCL provides a total of 3 513 PnR parking spaces. These car parks are located at or near
MTR stations, including the Hong Kong Station, Ocean Park Station, Kowloon Station, West Kowloon Station of the High Speed Rail, Hung Hom Station, Tsing Yi Station, Choi Hung Station, Sheung Shui Station and Kam Sheung Road Station, to make it convenient for drivers to switch to MTR. Drivers who park their cars and switch to MTR to travel to their destinations can enjoy a parking fee discount of about 50% on average at these car parks. The PnR rate of each car park and relevant details have been uploaded to the MTRCL's website for public reference.

In the third quarter of 2018, the parking spaces in the nine car parks mentioned above were patronized by nearly 2,980 users per day on average, with PnR users accounting for about 60% of the total number of users, see Annex 1 for details. The Transport Department ("TD") has not kept the relevant usage figures in the past three years.

As regards the car parks managed by the LINK or other private companies, the provision of PnR concessions is a matter of commercial decision. The Government does not have statistics on utilization in this respect. The numbers of parking spaces in these car parks with PnR concessions are tabulated in Annex 2.

(2) and (3)

Regarding enhancing the PnR facilities near Sheung Shui Station and at Kam Sheung Road Station, there is a public car park in Po Shek Wu Estate at Choi Yuen Road, Sheung Shui. After the completion of all the works, a total of about 220 private car parking spaces will be created, 60% of which, i.e. about 130 private car parking spaces, will be PnR spaces. The first phase car park was commissioned in August 2018 and provides 166 private car parking spaces, of which 100 are PnR spaces. TD will continue to monitor the usage pattern of the PnR facilities in the above car park.

The existing PnR facilities at Kam Sheung Road Station of the West Rail Line will be permanently re-provisioned in Package 1 of the property development project at that station. The car park offering PnR concessions at the station is expected to commence operation in 2025 and provides 610 PnR spaces.
Moreover, regarding the Member's suggestion for new PnR schemes for private cars for the Tuen Mun Road Bus-Bus Interchange and the Tai Lam Tunnel Bus-Bus Interchange respectively, TD will continue to monitor the demand closely. With the principle of "single site, multiple uses" in mind, TD will explore and identify available sites with a view to providing the parking facilities and associated link road facilities required.

Looking ahead, the Government will continue to make reference to the recommendations in the Report on Study of Road Traffic Congestion in Hong Kong released by the Transport Advisory Committee in December 2014, including adjusting the first registration tax and annual licence fee for private cars, reviewing the parking policy, in order to reduce private car usage and alleviate road traffic congestion. In taking forward individual railway projects, as well as urban renewal and new development projects, the Government will also consider introducing more PnR facilities at suitable locations. When proceeding with railway projects, the Government will request MTRCL to conduct an assessment of how stations are to be connected with other modes of public transport and the interchange arrangements involved. Where conditions of individual railway projects are deemed suitable, the Government will ask MTRCL to consider various options for adding PnR facilities to facilitate the use of the mass transit system.

From the angle of practical consideration, it is often not easy to identify suitable sites for new car parks nowadays. Another concern that needs to be addressed would be the traffic impact of additional parking spaces on the local road network. Given the principle that our transport policy is to develop a public transport oriented system with railway as the backbone, TD will continue to optimize public transport services. This will encourage more drivers to change their travel pattern and switch to public transport services directly, thereby enabling more efficient use of our limited road space.
Annex 1

Utilization of PnR car parks
managed by the Government and MTRCL
(Third Quarter of 2018)

<table>
<thead>
<tr>
<th>Car park</th>
<th>Management agent</th>
<th>Number of parking space for PnR</th>
<th>Average number of users of PnR parking space per day&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Average number of users of PnR concessions per day&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheung Shui Station</td>
<td>Housing Department</td>
<td>100</td>
<td>132</td>
<td>66</td>
</tr>
<tr>
<td>Hung Hom Station</td>
<td>MTRCL</td>
<td>811</td>
<td>206</td>
<td>127</td>
</tr>
<tr>
<td>Kam Sheung Road Station</td>
<td>MTRCL</td>
<td>584</td>
<td>706</td>
<td>657</td>
</tr>
<tr>
<td>West Kowloon Station</td>
<td>MTRCL</td>
<td>547</td>
<td>571</td>
<td>52</td>
</tr>
<tr>
<td>Choi Hung Station</td>
<td>MTRCL</td>
<td>450</td>
<td>496</td>
<td>142</td>
</tr>
<tr>
<td>Tsing Yi Station</td>
<td>MTRCL</td>
<td>405</td>
<td>154</td>
<td>90</td>
</tr>
<tr>
<td>Hong Kong Station</td>
<td>MTRCL</td>
<td>293</td>
<td>343</td>
<td>260</td>
</tr>
<tr>
<td>Kowloon Station</td>
<td>MTRCL</td>
<td>252</td>
<td>249</td>
<td>196</td>
</tr>
<tr>
<td>Ocean Park Station</td>
<td>MTRCL</td>
<td>71</td>
<td>122</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3,513</strong></td>
<td><strong>2,979</strong></td>
<td><strong>1,684</strong></td>
</tr>
</tbody>
</table>

Notes:

(1) This includes drivers who use the PnR concessions and normal drivers (i.e. drivers who use the car parks without switching to MTR).

(2) The relationship between the number of users and "utilization rate" cannot be ascertained because car parks which offer PnR concessions can also be used as ordinary car parks (i.e. drivers can use the car parks without switching to MTR) for better utilization. There is no quota or time limit on each of these two types of usage.
Annex 2

Number of parking space in PnR car parks
managed by private companies and the LINK

<table>
<thead>
<tr>
<th>Car park</th>
<th>Management agent</th>
<th>Number of parking space for PnR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hang Hau Station</td>
<td>Private company</td>
<td>500</td>
</tr>
<tr>
<td>Olympic Station</td>
<td>Private company</td>
<td>330</td>
</tr>
<tr>
<td>Tuen Mun Station</td>
<td>Private company</td>
<td>90</td>
</tr>
<tr>
<td>Wu Kai Sha Station</td>
<td>Private company</td>
<td>65</td>
</tr>
<tr>
<td>Long Ping Car Park D</td>
<td>LINK</td>
<td>264</td>
</tr>
<tr>
<td>Tin Shing Car Park A</td>
<td>LINK</td>
<td>1372</td>
</tr>
<tr>
<td>Yu Chui Car Park</td>
<td>LINK</td>
<td>1067</td>
</tr>
<tr>
<td>Temple Mall North Car Park</td>
<td>LINK</td>
<td>373</td>
</tr>
<tr>
<td>Temple Mall South Car Park</td>
<td>LINK</td>
<td>444</td>
</tr>
<tr>
<td>Wong Tai Sin SC Lower II Car Park</td>
<td>LINK</td>
<td>95</td>
</tr>
<tr>
<td>Kai Tin Car Park</td>
<td>LINK</td>
<td>368</td>
</tr>
<tr>
<td>Lok Fu Market Car Park</td>
<td>LINK</td>
<td>178</td>
</tr>
<tr>
<td>Lok Fu UNY Car Park</td>
<td>LINK</td>
<td>261</td>
</tr>
<tr>
<td>Oi Man Car Park</td>
<td>LINK</td>
<td>711</td>
</tr>
<tr>
<td>Lei Tung Car Park 2</td>
<td>LINK</td>
<td>211</td>
</tr>
<tr>
<td>Lei Tung Car Park 3</td>
<td>LINK</td>
<td>249</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6578</strong></td>
</tr>
</tbody>
</table>

**MR CHAN HAN-PAN** (in Cantonese): *The Secretary mentioned just now in the main reply that there are 25 car parks providing PnR concessions in Hong Kong, but only nine of them are managed by the Government and the rest are managed by the LINK or private companies. The Government does not know the fees they charge. Has the Administration genuinely implemented the PnR concession schemes? I believe the Government may not have a grasp of the facts. Regarding those car parks managed by the LINK and providing PnR concessions, as we all know, the LINK has sold some shopping centres and even divested some car parks. Under such circumstances, will the supply of parking spaces under the PnR schemes be reduced further?*
The Secretary indicated in the main reply that the Government will continue to make reference to the recommendations in the Report on Study of Road Traffic Congestion in Hong Kong released in 2014 and provide additional PnR facilities. The year now is 2019, and the Government has only said that it will study the provision of additional PnR facilities at the places suggested in my main question. I would like to ask the Administration: Is there any timetable or road map for that? Despite the public's call for many years, the Administration has not yet provided additional PnR facilities. When will the Administration implement the relevant recommendations? I hope the Secretary can reply whether the Administration has a timetable and a road map.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr CHAN for his supplementary question. We understand the drivers' demand for parking spaces but we have to balance the travel needs of public transport and motorists. Regarding the provision of parking spaces and PnR concessions, Mr CHAN has just mentioned the LINK. In fact, the Government is very much concerned about the work in this respect. According to information from the Housing Department, the Hong Kong Housing Authority will provide in the public housing development projects in five years from 2018-2019 to 2022-2023 about 5 000 parking spaces designated for own use of the development projects and 550 public parking spaces to alleviate the shortage of parking spaces. The 5 000 parking spaces for own use of the development projects comprise about 4 000 private car parking spaces, about 200 light goods vehicle parking spaces and 750 motorcycle parking spaces. TD estimates that about 2 204 additional public parking spaces can be provided in 2019, of which 512 will be managed by the Government and 1 692 will be privately operated and available for use by the public. It is hoped that the relevant arrangement can alleviate the shortage of parking spaces.

I understand the drivers' demand for PnR facilities and we will follow up the matter having regard to the actual situation and depending on whether there is sufficient land and transport facilities in the area. I understand what Mr CHAN is thinking and we certainly hope that there will be a clear timetable. However, there is a shortage of land in Hong Kong and land is needed for providing various facilities and community facilities and for other uses, such as meeting the housing demand as we often mention. So, we will try our best to provide PnR facilities. We will continue to strengthen communication with Mr CHAN later.
MR CHAN HAN-PAN (in Cantonese): President ...

PRESIDENT (in Cantonese): Mr CHAN, which part of your supplementary question has not been answered?

MR CHAN HAN-PAN (in Cantonese): The Secretary has not answered my supplementary question. I have just asked a question about PnR facilities but the figures quoted by the Secretary are only the numbers of new parking spaces in public housing developments but these are not PnR parking spaces ...

PRESIDENT (in Cantonese): Mr CHAN, you have pointed out the part of your supplementary question that has not been answered, please sit down. Secretary, do you have anything to add?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr CHAN for his follow-up question. We understand that the planning and construction of railway projects take a long time. In the process of constructing new railway stations, we will look at the feasibility of providing PnR parking spaces on the sites nearby. With rapid urban development, it is very challenging to identify sites for adding PnR facilities in the urban area. However, we will not give up and if there is such a possibility, we will continue to put in efforts.

MR MA FUNG-KWOK (in Cantonese): President, in terms of efficient use of road space, private cars are a less efficient mode of transport. The Secretary has stressed that the Government has been focusing on railways but, actually, PnR schemes should not only target railways as there are many other modes of public transport in Hong Kong, including buses and other public transport modes. I would like to ask whether the Government has considered taking measures to encourage drivers to use public transport, including buses and other transport modes, and at the same time encourage the operators of private car parks located near public transport networks to provide concessions so as to step up the promotion of PnR services.
SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr MA for his question and Mr MA's views are correct. The passenger volume of railway transport is more than 5 million passenger trips per day and that of buses is nearly 4 million passenger trips per day. As the railway, bus and minibus route networks are very extensive, there is a PnR demand. We also hope that the PnR arrangement will not only cover transfer from vehicle to vehicle but also shift from vehicle to walking. We have been fostering a "pedestrian-friendly" environment in many areas in Hong Kong, making walking an easy, enjoyable and fast experience. Therefore, in urban planning in the future, especially in making new plans for the urban fringe, we will put in place parking arrangements as far as practicable to enable the public to use PnR service or even walking so as to reduce emissions.

On the implementation of electronic road pricing in Central, the Government will also make reference to the views of Members present in due course and provide parking facilities in the surrounding areas of Central so that the public can walk after parking their vehicles to the Western District to enjoy the facilities or go shopping there. I thank Mr MA for his views.

MR VINCENT CHENG (in Cantonese): Just now Mr CHAN has mentioned the traffic congestion problem; in fact, there is also very serious traffic congestion in Kowloon. According to the annual report published by the Transport Complaints Unit of the Transport Advisory Committee in 2017, complaints about traffic congestion in Kowloon increased by more than 30% in the past five years. I think that the increase is definitely related to the rate of vehicle growth and the shortage of parking spaces, and this has also aggravated the problem of illegal parking. There are many complaints about illegal parking; taking Sham Shui Po as an example, such complaints increased by four times in the past five years, ranking the highest in the 18 districts in Hong Kong. However, there is a serious shortfall of parking spaces in Hong Kong.

In this connection, will the Secretary inform this Council whether the Administration will consider modelling on the practices of different places overseas to substantially increase the supply of parking spaces in-situ through technology so as to meet different needs?
SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr CHENG for his question. In the past 10 years, the growth rate of motor vehicles was nearly 3% per year on average and the growth pace of motor vehicles is worrying indeed; yet, the growth of road networks is at a relatively slow rate of less than 1%. Therefore, we have to continue to make efforts in providing parking spaces. The Government clearly stated in the 2018 Policy Address: First, the Government will follow the principle of "single site, multiple uses" to provide public car parking spaces in government facilities as far as practicable; second, the Housing Department will provide a certain number of public car parking spaces when developing a new public housing estate. In addition, the Government will build multi-storey car parks with mechanical car parking systems on suitable sites through technology and increase the number of parking spaces in these car parks as far as practicable through technology application.

As far as we know, through technology application, the number of parking spaces that can be provided on a piece of land can be increased by about 40% to 50%. We are studying this proposal and TD is conducting a detailed study on the relevant proposal. When we seek funding approval from the Legislative Council for building the relevant parking facilities, we hope to have the support of the Council.

MR WILSON OR (in Cantonese): President, the Secretary has always stressed that railways should be the backbone and dependence on private cars should be reduced. I think this is the right direction but the fundamental question is the shortage of land. Just now the Secretary has responded that he has considered whether residential units or parking spaces should be built. I think he should urge his colleagues to study how to achieve "single site, multiple uses" through new technologies and build multi-storey car parks with mechanical car parking systems. In fact, these facilities are already available in China and many other places.

Secondly, as the Housing Department currently has nine car parks providing PnR concessions, will the Secretary consider enhancing the PnR schemes in other places managed by the Housing Department? In fact, the public has a rather strong PnR demand.
SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr OR for his supplementary question. Regarding the proposals on building multi-storey car parks through technology application as well as achieving "single site, multiple uses", TD has identified several sites and they will conduct studies on the relevant projects. Mr OR has also mentioned that PnR facilities can be provided in a Housing Department project under construction.

(THE PRESIDENT'S DEPUTY, MS STARRY LEE, took the Chair)

As more than 40% of the public live in public housing estates, we are very much concerned about the provision of PnR arrangements for residents. If an opportunity arises, we will provide the related services in suitable public housing estates but we must also strike a balance among the demands for housing, community facilities and ancillary transport facilities. I believe Members present clearly know that it is not easy to strike a balance among these demands but we will try our best to balance the demands according to the situation of different communities.

MRS REGINA IP (in Cantonese): Deputy President, the Secretary has just mentioned the use of technology to build multi-storey car parks and "single site, multiple uses", etc., but this cannot solve the parking problem caused by the development of many new housing estates in the remote areas of the New Territories.

The Secretary also knows that the former Chief Executive advocated the industrialization of education, so the Harrow International School Hong Kong ("Harrow") is established in New Territories West. Private housing estates are also built on the sites near Harrow and many middle-class families have moved to live near Harrow in the hope that their children can be admitted to Harrow. Many parents have cars but the parking spaces in these housing estates are definitely not enough. For example, Napa, a housing estate in So Kwun Wat, clearly has a severe shortage of parking spaces and residents’ bus services have only been provided recently. So, some residents are forced to park their cars on the street and they have continuously received fixed penalty notices. Nevertheless, TD is unwilling to provide metered parking spaces there. In this
connection, can the Secretary find out the reasons why TD is unwilling to provide metered parking spaces there? As the place is rather secluded and remote, providing metered parking spaces there will not affect traffic flow and pedestrian flow; can the Secretary study the matter with the Commissioner for Transport?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, I thank Mrs Regina IP for her supplementary question. For some time in the past, parking spaces in Hong Kong were planned in accordance with the Hong Kong Planning Standards and Guidelines but the allocation of parking spaces back then adopted a lower construction ratio. Therefore, after a certain period of time, there is a shortage in the supply of parking spaces in certain areas and we understand that.

After reviewing the relevant arrangements, the current-term Government has set policy targets for the problem of parking space supply. It will provide additional public parking spaces in public housing estates and strive to achieve "single site, multiple uses" in the existing car parks. Mrs Regina IP has just provided some actual data, e.g. the lack of parking spaces in the area around Harrow and So Kwun Wat in Tuen Mun, but we need time to slowly increase the number of parking spaces. Regarding the provision of additional roads and parking spaces, we must also take into account the traffic impact assessments but such impact can be reduced through traffic management measures. We will have meetings with TD from time to time to make special arrangements in the light of the special circumstances of different communities and cater for the local residents' demand for traffic and parking spaces as far as practicable. Yet, I am also aware that the shortage of the parking spaces is rather acute in the areas just mentioned by the Member but we need time to address the problem. We will conduct studies on the subject with TD.

DEPUTY PRESIDENT (in Cantonese): Last oral question.

Air quality objective relating to fine suspended particulates

6. MR CHU HOI-DICK (in Cantonese): Deputy President, earlier on, the Environment Bureau ("ENB") recommended to the Air Quality Objectives Review Working Group that the average 24-hour concentration limit stipulated for fine suspended particulates (i.e. PM 2.5) in the Air Quality Objectives ("AQOs") be
tightened from 75 µg/m³ at present to 50 µg/m³, but the number of exceedances allowed be relaxed from the current level of "not more than 9 days" to "not more than 35 days" per calendar year. On the other hand, some environmentalists have pointed out that it is anticipated that during the period from 2020 to 2025, there will be a high concentration of air pollutants over the waters around Kau Yi Chau, i.e. the reclamation area under the Lantau Tomorrow Vision. In this connection, will the Government inform this Council:

(1) given that under the World Health Organization's "Interim Target-2", the number of exceedances allowed in respect of PM 2.5 is no more than three days per calendar year, of the justifications for ENB's recommendation to relax that number to 35 days;

(2) whether it has assessed if the recommendation has run counter to the aim of reviewing AQOs as set out in section 7A of the Air Pollution Control Ordinance, which is to ensure that AQOs are the objectives that should be achieved and maintained in order to promote the conservation and the best use of air in the air control zone in the public interest; if it has assessed and the outcome is in the affirmative, whether ENB will shelve the recommendation; and

(3) given that some members of the public suspect that the recommendation was made to make it easier for the environmental impact assessment reports for the reclamation and related infrastructure works projects under the Lantau Tomorrow Vision to get approval, whether ENB will shelve the recommendation so as to allay public concerns?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): Deputy President, the World Health Organization ("WHO") Air Quality Guidelines ("AQGs") clearly state that different countries may set different air quality standards due to different approaches in balancing health risks, technological feasibility, and economic, political and social considerations. AQGs recommend guideline values (i.e. ultimate targets) and interim targets ("ITs") for air quality. The setting of ITs by WHO is intended for governments, having regard to their local circumstances, to adopt ITs to progressively tighten their air quality standards towards an ultimate goal of meeting WHO ultimate targets. At present, no country has fully adopted WHO ultimate targets as legal air quality standards.
AQGs do not provide recommendations on the number of allowable exceedances when formulating the guideline values of the concerned air pollutants. In view of the fact that air quality may violate the standards owing to uncontrollable circumstances such as extreme weather, Chapter 8 of AQGs states that when the air quality standards are set to be legally binding, governments could quantify the compliance criteria through establishing the number of allowable exceedances. AQGs have also quoted the number of allowable exceedances for the 8-hour ozone standard set by the European Union at 25 times per year and that for the 24-hour nitrogen dioxide standard set in South Africa at three times per year as examples to illustrate that the numbers of allowable exceedances for different air pollutants concentration limits vary among different places.

The prevailing Air Quality Objectives ("AQOs") came into effect on 1 January 2014. The Air Pollution Control Ordinance ("APCO") stipulates that AQOs must be reviewed at least once in every five years. The Environment Bureau embarked on a review of AQOs in mid-2016 and formed an AQOs Review Working Group ("Working Group") and sub-groups comprising members from relevant stakeholders and government department representatives to take forward the work. The review has been completed in December 2018. We plan to report the review findings to the Advisory Council on the Environment ("ACE") in the first quarter of this year, consult the Legislative Council Panel on the Environmental Affairs ("EA Panel") afterwards and launch a three-month public consultation. After completing the public consultation, we shall consider views collected and consult ACE and the EA Panel on the way forward. If AQOs are to be tightened, we shall submit an amendment bill to the Legislative Council with a view to implementing new AQOs as soon as possible.

My responses to the questions raised by Mr CHU Hoi-dick are as follows:

(1) and (2)

As I mentioned earlier, WHO AQGs do not provide recommendations on the number of allowable exceedances of the 24-hour particulate matter ("PM") guideline values. In fact, the number of allowable exceedances of the 24-hour PM standards varies among places. For example, the European Union and the United Kingdom allow 35 exceedances per year for the 24-hour
PM 10 (respirable suspended particulates) standards. They have set an annual PM 2.5 (fine suspended particulates) standard but not any 24-hour PM 2.5 standard.

The assessment results of AQOs review reveal that there is scope for tightening AQO for annual PM 2.5 from IT-1 to IT-2. If AQO for 24-hour PM 2.5 is to be tightened concurrently to IT-2, there could be more than 30 days on which the 24-hour PM 2.5 concentrations at the north-western and northern parts of the New Territories would exceed the IT-2 level due to unfavourable meteorological conditions or regional air pollution influence. Therefore, according to WHO AQGs, tightening the 24-hour PM 2.5 standard to WHO IT-2 and setting the number of allowable exceedances at 35 is appropriate and in line with international practices (including European Union and United States). The air science and health experts of the Working Group also consider that the above approach to tighten AQOs of PM 2.5 can help enhance public health protection.

Therefore, the approach of progressively tightening the air quality standards through the adoption of ITs and setting the number of allowable exceedances for determining compliance with the standards according to WHO AQGs is fully in line with section 7A of APCO.

(3) The review of AQOs is based on WHO AQGs and scientific grounds. The assessment approaches adopted and the findings have been thoroughly discussed among air scientists and health experts. As aforesaid, we are going to report the review findings to ACE and embark on the public consultation. If AQOs are to be tightened, we shall submit an amendment bill to the Legislative Council.

MR CHU HOI-DICK (in Cantonese): Deputy President, the Secretary has said that the Government proposes that the number of exceedances allowed for the average 24-hour concentration for PM 2.5 is not more than 35 times per year. This is because there are more than 30 days per year on which Hong Kong is affected by air pollution on the Mainland. As far as I know, the Government has only prepared simulated data on regional air pollution up to 2020. Hence, the current situation is that the Government has assumed that the Mainland will not
have great improvement in its air quality from 2020 to 2025, thus justifying the move to relax the number of allowable exceedances in Hong Kong. This is not right.

Deputy President, my supplementary question is related to the East Lantau Metropolis. The Secretary has said in the main reply just now that in December the Air Quality Objectives Review Working Group issued a paper that referred to the average annual concentration of nitrogen dioxide ("NO₂") in 2025. As Members can see, the area in orange and red is exactly the reclamation area of East Lantau, and the current concentration of air pollutants in this area already exceeds the standard. Exceedances are already recorded now, not to mention the future. If the Environment Bureau has already seen from its own studies the exceedances of the average annual concentration of NO₂, why does the Government still continue to proceed with the East Lantau Metropolis reclamation project of which the environmental impact assessment report will definitely not be approved?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): Deputy President, today the Environment Bureau mainly responds to the Honourable Member's question on the review of AQOs. As for the question whether environmental impact assessment will be conducted in respect of an individual project and the assessment report be submitted to the relevant government departments, it should be dealt with separately from this question. That said, regarding the concentration of NO₂ as mentioned by Mr CHU, Hong Kong has already adopted WHO ultimate targets, which are the highest standards, and hence there is no room for any further tightening. For this reason, as far as our gate-keeping role is concerned, there is no question of our giving favourable or special treatment to particular projects.

DEPUTY PRESIDENT (in Cantonese): Mr CHU, which part of your supplementary question has not been answered?

MR CHU HOI-DICK (in Cantonese): The Secretary has not answered my supplementary question. If WHO ultimate targets have been adopted as the standards for the concentration of NO₂, the levels of NO₂ recorded in East Lantau have obviously exceeded the standards. Is the Secretary telling us that the Government will not take forward a plan that will obviously contradict AQOs?
DEPUTY PRESIDENT (in Cantonese): Secretary, do you have anything to add?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): Deputy President, as I have said just now, any development projects will be handled by dedicated departments in the government structure. Simply put, however, Hong Kong and the region at large will keep abreast of the times, and progressively improve our air quality in various aspects. Meanwhile, when taking forward individual development projects, government departments will conduct planning studies on how to avoid, rectify or alleviate the implications of air pollution in compliance with environmental impact assessment requirements. Government departments have their own ways of handling development projects.

MR DENNIS KWOK (in Cantonese): Deputy President, Mr CHU Hoi-dick has just asked the Secretary whether the Government will relax its standards in reviewing AQOs for the sake of pursuing large-scale infrastructure projects in the future, knowing that AQOs may have serious implications on public health … I remember that when we amended the relevant ordinance years ago, I requested the authorities to list public health as the most important objective, but the Secretary did not do so. My question is: In reviewing AQOs, will the Government forgo public health in order to pursue large-scale infrastructure projects in the future?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): Deputy President, I thank Mr KWOK for raising his supplementary question. As I have said in part (3) of the main reply, we seek to tighten the future AQOs of Hong Kong on the basis of WHO AQGs, and the relevant air scientists and health experts will participate in the process. At the same time, I would also like to talk about the case cited by another Member. We have adopted WHO ultimate targets for the concentration of NO₂, and thus there is no problem of leniency as mentioned by the Member. We will progressively tighten AQOs based on scientific grounds and further improve public health in Hong Kong.

MR KENNETH LEUNG (in Cantonese): Deputy President, the Secretary has said in the main reply just now that allowing 35 exceedances per year for the average 24-hour standards for respirable suspended particulates is in line with
international practice, as there are likewise such cases in the European Union and the United Kingdom. However, may I ask the Secretary whether he has compared Hong Kong with other countries in terms of the corresponding measures for PM 2.5 air pollution? For example, Sadiq KHAN, the Mayor of London, has decided to launch an ultra-low emission zone in central London starting from 8 April 2019. Regarding the planning for Hong Kong, does the Secretary plan to introduce any ultra-low emission zone in Central or Admiralty?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): Deputy President, I thank the Honourable Member for his supplementary question, which involves two aspects. The first is about how we review AQOs, and the second is about whether we can put in place other measures to improve the air quality of Hong Kong through a multi-pronged approach. As I have said in the main reply just now, the review of AQOs is based on scientific grounds and there are inputs from various experts participating in the process. Next we will conduct public consultation, so that the public can provide their views under a very open and transparent system. As for the measure mentioned by the Honourable Member, we will pay attention to the approaches adopted in various places of the world, and review whether such approaches are applicable to Hong Kong. As regards the case mentioned by the Honourable Member, Hong Kong has adopted a similar approach, and we will review our existing approach towards low emission zones at an appropriate time.

MR CHU HOI-DICK (in Cantonese): Deputy President, according to the main reply, APCO stipulates that AQOs must be reviewed at least once in every five years, but I do not quite understand the definition of "reviewed at least once in every five years". Now it is already early 2019, the Government has just submitted a report, and the Secretary has just indicated that various consultation exercises need to be conducted before enacting legislation. If the result is that we finish enacting legislation and formulating new AQOs only in late 2019 or early 2020, will we have complied with the requirement of reviewing AQOs at least once in every five years? If the Secretary is suggesting that only a report is required to be submitted in every five years, the result will be that AQOs will be updated only at an interval of six or seven years. Will the Secretary please first clearly explain the definition of "reviewed at least once in every five years"?
SECRETARY FOR THE ENVIRONMENT (in Cantonese): Deputy President, Mr CHU earlier on raised the same question at the Panel on Environmental Affairs of the Legislative Council, and we have provided Mr CHU with a detailed written reply. As I have said in the main reply just now, we have put in place a review mechanism pursuant to the requirements, and formed a Working Group and sub-groups comprising members from relevant stakeholders and government department representatives to take forward the work. They are tasked to review AQOs and submit reports to the Secretary for the Environment. This is the overall process. The review was completed in December last year. Next we will conduct public consultation with relevant boards or panels and the public, and legislation, if needed, will be enacted by the Legislative Council.

(Mr CHU Hoi-dick indicated that he intended to follow up his supplementary question)

DEPUTY PRESIDENT (in Cantonese): Mr CHU, I think the Secretary has already answered your supplementary question. Please point out the part of your supplementary question which has not been answered.

MR CHU HOI-DICK (in Cantonese): The law stipulates that AQOs must be reviewed at least once in every five years, but it is not the case in actuality. The Secretary has failed to offer a clear definition, and the Government does not update AQOs once in every five years.

DEPUTY PRESIDENT (in Cantonese): Mr CHU, you have clearly pointed out the part of your supplementary question which has not been answered. Please sit down. Secretary, do you have anything to add?

(The Secretary for the Environment indicated that he had nothing to add)

MR PAUL TSE (in Cantonese): Deputy President, the main question concerns fine suspended particulates ("PM 2.5"), but an Honourable Member referred to NO₂ just now in his supplementary question. This is understandable. The Secretary has indicated in the main reply that no country has fully adopted WHO ultimate targets, but he has also said that Hong Kong has adopted WHO ultimate
targets in respect of NO\textsubscript{2}. May I ask the Secretary to clarify whether the point in the main reply about Hong Kong having not adopted WHO ultimate targets only concerns PM 2.5 and not NO\textsubscript{2}?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): Deputy President, I thank Mr TSE for his supplementary question. The relevant WHO standards cover various major air pollutants, and no country has fully adopted WHO ultimate targets as its legal air quality standards in respect of all major air pollutants listed by WHO. Hong Kong has adopted WHO ultimate targets in respect of about half of the pollutants, and hence as far as the many types of pollutants are concerned, Hong Kong has adopted WHO ultimate targets in respect of the concentration of NO\textsubscript{2}.

MR HOLDEN CHOW (in Cantonese): Deputy President, I think before any official environment impact assessment is conducted, it is really arbitrary to say that the reclamation works for the construction of artificial islands for the East Lantau Metropolis will certainly cause exceedances of air pollutant concentrations, and thus the reclamation plan for the construction of artificial islands for the East Lantau Metropolis must be abolished. Deputy President, the Secretary has said in the main reply that the annual number of allowable exceedances of the standards for particulate matters varies among different countries. For example, the European Union and the United Kingdom allow 35 exceedances per year for the 24-hour respirable suspended particulates (PM 10) standards. Hong Kong will possibly allow not more than 35 exceedances per year. Is there any other country that allows far more than 35 exceedances per year?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): Deputy President, I thank the Honourable Member for his supplementary question. From the information in our hands, we see that the European Union and the United Kingdom have, in response to factors such as climate and topography, formulated their own targets and allow 35 exceedances per year of the standards for certain air pollutants. Based on the information in our hands, we can only list these places and compare them with Hong Kong.

WRITTEN ANSWERS TO QUESTIONS

Combating speeding

7. MR MICHAEL TIEN (in Chinese): President, it is learnt that some road sections are unsuitable for installing speed enforcement cameras ("SECs"). Even at those road sections installed with SECs, speeding drivers can get away without punishment by driving in such a way that makes their vehicles slow down before, and accelerate after, passing an SEC. As a result, SECs have lost deterrent effects on speeding and are virtually useless. Speeding vehicles not only pose danger to other road users, but also generate noise (which is particularly serious when a vehicle is driven at the aforesaid uneven speeds as a vehicle generates greater noise when accelerating), thereby causing great nuisance to nearby residents. In this connection, will the Government inform this Council whether it will conduct a study on adopting the approach of detecting the average vehicular speed (i.e. calculating the average speed of a vehicle when it passes through a road section) to combat speeding, so as to provide greater flexibility in the locations for installing SECs and to eliminate drivers' circumvention of speed limits by driving in the aforesaid manner; if so, of the details and the implementation timetable; if not, the reasons for that?

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, my reply to Mr Michael TIEN's question is as follows:

The Government attaches great importance to road safety. To this end, the Hong Kong Police Force ("the Police") have been combating speeding offences. Apart from using fixed speed enforcement cameras for regular traffic enforcement, the Police also deploy mobile instruments such as laser guns, mobile radar and in-car video recording systems for ad hoc enforcement operations. These allow greater flexibility in anti-speeding operations and make motorists remain alert at all times, thereby reducing the risk of traffic accidents and enhancing road safety.

As regards the average speed camera system, the Government previously consulted the Legislative Council Panel on Transport in May 2013 on a trial scheme of such system. Some Panel members were of the view that, at that juncture, such a system had not proven to be cost effective or perform better than the existing speed enforcement cameras at that time. Hence, they had reservations on the trial scheme. Given that the trial scheme was not supported by the majority of the Panel members, the Government did not pursue it then.
In view of technological advancements, the Transport Department is currently discussing with the Police about testing cameras featuring different speed enforcement technologies so as to ascertain the technical feasibility of such camera systems and their suitability for use in Hong Kong. The Government will keep close track of technological developments, make reference to overseas experience in and examples of speed detection, and conduct timely reviews of the features of the technologies concerned and their suitability for use in Hong Kong.

Establishment of and manpower deployment for Traffic Wardens

8. **MR HUI CHI-FUNG** (in Chinese): President, regarding the establishment of and the manpower deployment for Traffic Wardens, will the Government inform this Council:

   (1) of the establishment of Traffic Wardens in various police districts across the territory, as well as the mechanism and criteria adopted for formulating such establishment;

   (2) of the reasons why it has not set up a mechanism for reviewing the establishment of and manpower deployment for Traffic Wardens;

   (3) whether it received in the past five years any request from members of the local communities and District Councils for deploying additional Traffic Wardens to carry out duties in their districts; if so, of the respective reasons for accepting and rejecting such requests;

   (4) how the pay scales of the two ranks of Traffic Wardens as well as the time and costs involved in the induction training for Traffic Wardens at present compare with those of police officers; and

   (5) in which years of the past decade the authorities increased or reduced the manpower of Traffic Wardens, and the reasons for that?

**SECRETARY FOR TRANSPORT AND HOUSING** (in Chinese): President, my reply to the various parts of Mr HUI Chi-fung's question is as follows:
(1) The establishment of Traffic Wardens in various police districts across the territory is set out at Annex 1.

Traffic Wardens are responsible for the enforcement duties under the Fixed Penalty (Traffic Contraventions) Ordinance (Cap. 237) and the Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611), as well as managing and directing vehicles and pedestrians. Apart from relying on Traffic Wardens for parking-related enforcement duties, police officers in the police districts also take enforcement actions concerning parking and road traffic offences.

The Hong Kong Police Force ("the Police") will consider various factors, including the overall manpower distribution of frontline enforcement staff and resources deployment in individual police districts, as well as traffic conditions in the districts (such as the number of on-street metered parking spaces), and deploy manpower as appropriate to meet actual operational needs.

(2) There is an established mechanism for the Government to review and determine the manpower resources for all departments. The Police have always conducted timely reviews of the establishment and resources for frontline enforcement staff based on operational needs. Where warranted, resources will be redeployed internally or additional resources will be sought to cope with traffic enforcement duties. The Police created a total of eight Traffic Warden posts in 2017 and 2018 and will create another 49 Traffic Warden posts in the 2018-2019 financial year.

(3) In the past five years, the Police have received requests from District Council members and the public, etc. for deploying additional Traffic Wardens to carry out duties in certain districts. The Police have not retained comprehensive records relating to such requests and are therefore unable to provide the reasons for accepting or rejecting these requests. When the Police deploy Traffic Wardens for enforcement duties, they have to take into consideration various factors, including the overall manpower distribution of frontline officers and resource deployment in individual police districts, as well as the traffic conditions in the districts (such as the number of on-street metered parking spaces), and deploy manpower as appropriate to meet actual operational needs.
(4) The job nature and job requirements of Traffic Wardens and police officers differ, and that Traffic Wardens are civilian staff, not disciplinary staff. It would be difficult to compare these two grades of officers.

The monthly salary of Traffic Wardens ranges from Master Pay Scale ("MPS") point 6 ($17,855) to point 12 ($25,790). For Senior Traffic Wardens, their monthly salary ranges from MPS point 13 ($27,340) to point 16 ($31,685). Newly recruited Traffic Wardens are required to undergo a four-week induction training, which aims to ensure that they have a firm grasp of the professional knowledge, skills and attitude necessary for discharging their duties.

(5) In the past decade, the Police have created 77 Traffic Warden posts to meet operational needs. Details can be found at Annex 2.

Annex 1

The Establishment of Traffic Warden Grade in Various Police Districts in Hong Kong (as at 21 January 2019)

<table>
<thead>
<tr>
<th>Police District</th>
<th>Establishment of Traffic Wardens</th>
<th>Establishment of Senior Traffic Wardens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wan Chai District</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>Eastern District</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>Western District</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>Central District</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Wong Tai Sin District</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Kwun Tong District</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Sau Mau Ping District</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Tseung Kwan O District</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Yau Tsim District</td>
<td>28</td>
<td>4</td>
</tr>
<tr>
<td>Mong Kok District</td>
<td>28</td>
<td>3</td>
</tr>
<tr>
<td>Kowloon City District</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td>Sham Shui Po District</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>Tuen Mun District</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Police District</td>
<td>Establishment of Traffic Wardens</td>
<td>Establishment of Senior Traffic Wardens</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Yuen Long District</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>Tai Po District</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Tsuen Wan District</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>Kwai Tsing District</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>Airport District</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Shatin District</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Lantau District</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>268</td>
<td>38</td>
</tr>
</tbody>
</table>

Note:

The 49 Traffic Warden posts to be created in the 2018-2019 financial year are not yet reflected in the above establishment figures.

Annex 2

Details of Strengthening the Manpower of Traffic Warden Grade in the Past Decade

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of additional staff in Traffic Warden grade</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>18 additional staff</td>
<td>Arising from the commencement of the Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611)</td>
</tr>
<tr>
<td>2013</td>
<td>2 additional staff</td>
<td>To meet the needs from Lantau Island development</td>
</tr>
<tr>
<td>2017</td>
<td>6 additional staff</td>
<td>To facilitate the establishment of Tseung Kwan O police district</td>
</tr>
<tr>
<td>2018</td>
<td>2 additional staff</td>
<td>To meet the needs from the opening of Hong Kong-Zhuhai-Macao Bridge</td>
</tr>
<tr>
<td>2018 to 2019 financial year</td>
<td>49 additional staff</td>
<td>To meet territory-wide traffic enforcement needs</td>
</tr>
</tbody>
</table>
Appointment of the Director of Public Prosecutions

9. **MR DENNIS KWOK** (in Chinese): President, the Government announced by a notice published in the Gazette on 29 December 2017 that the Chief Executive ("CE") had, on the same date, appointed a Principal Government Counsel of the Department of Justice ("DoJ") as the Director of Public Prosecutions ("DPP") (with the following remark in the notice: Acting as Law Officer). Later on, the Government announced by a notice published in the Gazette on 11 January 2019 that CE had appointed the said person as DPP on 29 June 2018. Regarding the appointment of DPP, will the Government inform this Council:

(1) of the criteria and procedure for the selection of DPP by DoJ;

(2) as the aforesaid person was officially promoted to DPP on 29 June 2018, of the reasons why not until more than half a year later (i.e. 11 January 2019) did the Government publish the appointment concerned in the Gazette; and

(3) of the respective durations of the acting appointments (if any) in respective of the successive DPPs since 1 July 1997?

**SECRETARY FOR JUSTICE** (in Chinese): President, in consultation with the Civil Service Bureau, the consolidated reply is set out as follows:

(1) The selection criteria for the Director of Public Prosecutions ("DPP") included professional competence, integrity, knowledge and experience in criminal law and prosecution work, judgment, leadership, communication skills and vision, etc. Following the established appointment procedures for civil servants, the selection procedures comprised setting up a selection board and formulating the selection criteria, etc. Moreover, the Public Service Commission ("PSC") was consulted on the recommendations put forward by the selection board as required.
(2) Mr David LEUNG, SC, was appointed as DPP after the conduct of a promotion-cum-open recruitment exercise in late 2017. The appointment was announced and gazetted on 29 December 2017, and Mr LEUNG commenced acting as DPP for six months from the same date. Following the completion of the acting period and relevant administrative procedures on appointments in the civil service, the Civil Service Bureau approved in late December 2018 Mr LEUNG's promotion to Law Officer (Directorate (Legal) Pay Scale 6) with effect from 29 June 2018 (i.e. completing an acting period of six months). The arrangement was subsequently gazetted on 11 January 2019.

(3) Officers recommended for promotion to Head of Department ("HoD") ranks through internal promotion are normally required to go through an acting process before substantive promotion, so as to ensure that they are fully competent of discharging the duties and responsibilities at HoD level. Recommendations on promotion to HoD ranks including acting arrangements are made by promotion boards having regard to all relevant factors and approved by the Civil Service Bureau as the appointment authority taking into account the advice tendered by PSC.

Apart from promotion, open recruitment exercises were also conducted concurrently in the past to identify suitable candidates for the post of DPP. Where a person is recommended through an open recruitment exercise, acting arrangement does not apply.

Since 1 July 1997, a total of three DPPs, namely Mr Ian Charles MCWALTERS, SC, Mr Kevin Paul ZERVOS, SC, and Mr David LEUNG, SC, were substantively promoted after acting for three or six months. Besides, Mr Grenville CROSS, SC, was directly and substantively promoted when succeeding as DPP in October 1997. Moreover, Mr Keith YEUNG, SC, was appointed as DPP in September 2013 after an open recruitment exercise, in which case the acting arrangement did not apply.
As recruitment and promotion involve different arrangements and procedures, it is inappropriate to compare the respective durations of the acting appointments in respect of DPPs.

Applications for Comprehensive Social Security Assistance from persons with less than seven years' residence in Hong Kong

10. **MRS REGINA IP** (in Chinese): President, on 17 December 2013, the Court of Final Appeal ruled that the requirement for seven-year residence in Hong Kong ("residence requirement") stipulated by the Government for the Comprehensive Social Security Assistance ("CSSA") Scheme was unconstitutional, and the residence requirement was therefore restored from seven years to one year, which was the requirement before 1 January 2004. In this connection, will the Government inform this Council of the following, since the judgment was handed down:

(1) the respective numbers of CSSA applications received and approved each year which were made by persons with less than seven years' residence in Hong Kong, as well as the respective percentages of such numbers in the total number of applications for the same year; and

(2) the total amount of CSSA payment made each year to persons with less than seven years' residence in Hong Kong and its percentage in the total expenditure on CSSA payments for the same year?

**SECRETARY FOR LABOUR AND WELFARE** (in Chinese): President, following the judgment handed down by the Court of Final Appeal on the judicial review regarding the residence requirement of the Comprehensive Social Security Assistance ("CSSA") Scheme, the Social Welfare Department restored the "one-year residence requirement", which was in effect before 1 January 2004, on 17 December 2013. As in the past, persons aged below 18 are exempted from the residence requirement of the CSSA Scheme.

My reply to the Member's question is set out below:
(1) From the date of the judgment to 2017-2018, the number of CSSA applications received and approved involving persons aged 18 or above and had resided in Hong Kong ("HK") for less than seven years, and the percentages of the relevant application number in the total CSSA application number are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of CSSA applications received from persons who had resided in HK for less than seven years</th>
<th>Number of approved CSSA applications from persons who had resided in HK for less than seven years</th>
<th>Total number of CSSA applications</th>
<th>Percentage of CSSA applications from persons who had resided in HK for less than seven years in the total application number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2014 (Since 17 December 2013)</td>
<td>4 007</td>
<td>3 272</td>
<td>39 514*</td>
<td>10.1%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>5 876</td>
<td>4 677</td>
<td>39 623</td>
<td>14.8%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>4 380</td>
<td>1 339</td>
<td>38 376</td>
<td>11.4%</td>
</tr>
<tr>
<td>2016-2017</td>
<td>4 005</td>
<td>1 078</td>
<td>41 111</td>
<td>9.7%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>3 729</td>
<td>1 191</td>
<td>39 342</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Note:

* Number of applications in year 2013-2014

(2) In 2013-2014 to 2017-2018, the estimated CSSA expenditures involving recipients who had resided in HK for less than seven years (CSSA is payable on a household basis and the relevant expenditures are rough estimates) and their percentages in total CSSA expenditure are as follows:
<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure# ($ million)</th>
<th>Percentage in total CSSA expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2014</td>
<td>582</td>
<td>3.0%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>823</td>
<td>4.0%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>949</td>
<td>4.3%</td>
</tr>
<tr>
<td>2016-2017</td>
<td>933</td>
<td>4.2%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>885</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Note:

# The expenditure for 2015-2016 includes the provision for two additional months of CSSA standard rate payment in that year, and the expenditure for 2013-2014, 2014-2015, 2016-2017 and 2017-2018 include the provisions for an additional month of CSSA standard rate payment in the respective years.

The Government's work on public relations and dissemination of press information

11. **MS CLAUDIA MO** (in Chinese): President, some media workers have relayed that in recent years, the Government's approach for disseminating press information and arranging media coverage, and even the performance of government officials in responding to the public, have all fallen short of public expectations and have time and again aroused criticisms, causing a far-reaching impact on the freedom of the press as the "fourth estate". The examples given by them include that: (a) the Government did not invite the media to report the handover of the Mainland Port Area of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link on 3 September last year, (b) the Government, on several occasions, did not release until late at night the coupler inspection results obtained after opening up the platform slabs and diaphragm walls of the Hung Hom Station Extension under the Shatin to Central Link project, and (c) the Secretary for Justice displayed a poor attitude when responding to media enquiries about the case concerning the allegations of corruption and misconduct in public office against the Chief Executive of the last term. In this connection, will the Government inform this Council:

(1) of the current policies on and strategies for disseminating press information, liaising with the media, gauging public sentiments and measuring the pulse of society;
(2) of the specific measures in place to improve the immediacy of disseminating press information, media coverage arrangements, and the attitude of government officials in responding to the public; and

(3) whether it will, on an annual basis, conduct reviews of and make improvements to the Government's work on public relations and dissemination of press information, and submit the relevant reports to this Council, so as to manifest an open and transparent style of governance; if so, of the details; if not, the reasons for that?

SECRETARY FOR HOME AFFAIRS (in Chinese): President, in its pursuit of "people-based" governance, the Hong Kong Special Administrative Region Government formulates various policy initiatives that are aimed to be known, understood, supported and monitored by the public. We therefore attach great importance to information dissemination strategies and their implementation.

The reply to Ms Claudia MO's question is as follows:

(1) The Government has all along been adopting a proactive and positive approach and adhering to the principles of openness and transparency. Policy Bureaux and departments are required to disseminate information promptly when announcing major policies and measures. Appreciating the importance of allowing the media to have thorough understanding of government policies and measures, the Government actively arranges for the convenient and effective dissemination of information.

In this regard, the Government disseminates information to the public through a variety of channels via the media, which include the issue of press releases, photos and videos; handling enquiries from the media and the public; organizing media interviews; arranging government officials to attend radio and television public affairs programmes; and offering live broadcast of press conferences and briefings on government website and establishing a webcast archive for public access, etc.
The Information Services Department ("ISD"), together with the press officers at bureaux and departments, will pay close attention to feedback as reflected by the media so that officers responsible for the formulation and implementation of policies and measures can learn about the public opinions on their work as soon as possible.

(2) The Government attaches great importance to media feedback on our work of information dissemination. As the Chief Executive earlier pointed out in public, there was room for improvement in the dissemination of information of certain recent individual cases. The Chief Executive has instructed all bureaux and departments to be more proactive in facilitating the media in covering the announcement of major issues.

The Chief Executive had pointed out that in realizing its pledge to accord importance to media work, the Government has to provide facilitation. To this end, the current-term Government has enhanced measures to assist the work of the media, including the admission of online media to government events and allowing more time for the media to raise questions by extending press conference durations. In addition, ISD will continue to make use of the Internet in disseminating government information. Through releasing government news on multi-media platforms under <news.gov.hk>, the public can access the website via mobile phones and other mobile devices. The <news.gov.hk> website fully utilizes social media platforms, including Facebook, YouTube, Twitter, Instagram, Sina Weibo and WeChat, etc., in disseminating updated information, features, photos and videos to all sectors of the community.

(3) The Government disseminates information to the public through the media and has maintained close and frequent contact with members of the media. The Government exchanges with professional news organizations from time to time to listen to their views on the overall public relations and information dissemination work of the Government. As for individual dissemination arrangements, members of the media will reflect their views to relevant bureaux
and departments immediately. The Government will continue to strive to enhance the accuracy, transparency and timeliness of information dissemination under public and media scrutiny.

Occupational safety for repair and maintenance work for installations on external walls of buildings

12. **MR LUK CHUNG-HUNG** (in Chinese): President, some trade union representatives have relayed to me that due to design deficiencies of the external walls of over 150 buildings completed between 2003 and 2016, strong and stable truss-out bamboo scaffolds cannot be erected onto such external walls. As a result, it is difficult for workers to carry out repair and maintenance work for installations on such external walls and the workers' occupational safety is jeopardized. In this connection, will the Government inform this Council:

(1) whether it will enhance the contents on how to erect strong and stable truss-out bamboo scaffolds in the Code of Practice for Bamboo Scaffolding Safety, including how workers can fasten scaffolds onto the external walls using three expansion anchor bolts in a situation where there is not enough space to do so or where the external walls are made of materials which cannot provide the necessary support; if so, of the details; if not, the reasons for that;

(2) whether it will comprehensively update the Code of Practice for Safe Use and Operation of Suspended Working Platforms to set out clearly (i) the uses of the suspended working platforms (e.g. whether, in addition to carrying workers, heavy weights can be carried on the platform at the same time), and (ii) the circumstances under which the employers' provision of a suspended working platform cannot be regarded as their having provided a safe means of access for workers; if so, of the details; if not, the reasons for that;

(3) given that currently there are many buildings with deficiencies in the designs of their external walls, making it difficult for workers to carry out repair and maintenance work for installations on their external walls, of the authorities' remedial measures to ensure the occupational safety of such workers; and
(4) whether it will, by drawing reference from the Construction (Design and Management) Regulations of the United Kingdom, enact legislation to stipulate that developers, contractors, and the relevant professionals must take into account the needs of future repair and maintenance work for installations on external walls when designing new buildings, so as to ensure that the risk of the relevant work is reduced to a minimum; if so, of the details; if not, the reasons for that?

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, the Government is highly concerned about work-at-height safety (including work carried out at external walls of buildings). The Occupational Safety and Health Ordinance (Cap. 509), the Factories and Industrial Undertakings Ordinance (Cap. 59) and their subsidiary regulations, administered by the Labour Department ("LD"), stipulate the safety requirements for work-at-height, including erecting safe working platforms and equipping them with secure fences, providing safe access and egress, and furnishing workers with suitable fall arresting devices when necessary. Before commencing work, duty-holders shall conduct task-specific risk assessment with due regard to site environment. The safe working methods so formulated should take into account the concerned working environment and risks, so as to safeguard workers' safety at work.

In consultation with the Development Bureau and the Buildings Department ("BD"), a consolidated reply is provided as follows:

(1) to (3)

In order to help contractors/employers understand and comply with the legal requirements with regard to work-at-height, LD has published various Codes of Practice/Guidelines, which set out practical operation requirements and safety measures in respect of external wall work safety in general working environment and conditions.

As the designs of external walls of buildings vary, contractors/employers have the duty to conduct task-specific risk assessment before commencing repair and maintenance works at external walls, including taking the actual working environment and
conditions (such as the uniqueness of building design) into consideration. Based on the risk assessment results, contractors/employers should formulate appropriate safe working methods, procedures and necessary safety measures, including the provision of suitable working platforms and fall arresting devices for the workers and ensuring their proper use, so as to comply with statutory work safety requirements. When necessary, they should seek professional advice.

LD is however aware that the external wall designs of some residential buildings constructed in recent years are not conducive to the adoption of common work methods for repair works and replacement of facilities, that involve work at height, at external walls of buildings. In view of this, LD will work with relevant professionals to study and analyse the external wall designs of these buildings and identify possible problems encountered when common work methods are used to conduct external wall works. Subject to the study findings, LD will make recommendations relating to these problems. LD will commence the work as soon as possible.

(4) BD reviews the subsidiary legislation under the Buildings Ordinance (Cap. 123) from time to time and proposes suitable amendments as necessary with a view to keeping abreast of latest building technology advancement and responding to the industry's requests. Specifically, upon reviewing the Building (Construction) Regulations ("B(C)R") (Cap. 123B), BD proposes introduction of requirements mandating the provision of adequate safety facilities in the design of new buildings to facilitate future repair and maintenance works at external walls. Apart from the relevant proposed amendment, BD also proposes that the provisions of B(C)R be comprehensively transformed into performance-based instead of prescribing a set of standards applicable to all buildings so as to allow greater flexibility in building design thus catering for the rapid building technology advancements. Along this direction, when the amended regulations commence operation, BD will require Authorized Persons to provide information on the facilities for external repair of buildings, such as working platforms that conform to occupational safety and health legislation, etc. Such facilities must be specified on the building plans for consideration and
approval by BD. To complement the proposed amended regulations, BD has completed a draft code of practice on design for safety for external maintenance and is now consulting the building industry following the established procedures.

Regulation of electric personal mobility devices

13. **MR CHARLES PETER MOK** (in Chinese): President, in recent years, the authorities of quite a number of cities (such as Singapore) have permitted, through a registration or licensing system, newly emerged electric personal mobility devices (e.g. mini-motor cycles, pedelecs, electric scooters and electric unicycles) to be used on roads legally, and regulated matters such as the sizes, horsepower, maximum speeds and safety equipment of such mobility devices. However, under the laws of Hong Kong, all such devices are prohibited from being used on roads. On the other hand, one of the study items of the "Consultancy Study on Enhancing Walkability in Hong Kong", commenced by the Transport Department in 2017, is to explore whether such mobility devices are suitable for use in Hong Kong. In this connection, will the Government inform this Council:

(1) whether the scope of the aforesaid study includes an assessment of (i) the demand of members of the public for electric personal mobility devices, and (ii) the roles that can be played by such devices in Hong Kong's transport infrastructure (e.g. serving as short-haul feeder transport means in districts where public transport services are inadequate); if so, of the progress of the assessment and the timetable for putting forward preliminary recommendations; if not, the reasons for that;

(2) whether it will, by making reference to the practices in other cities, establish a registration and licensing system for electric personal mobility devices to the effect that such devices may be used on designated roads legally; if so, of the details; if not, the reasons for that; and

(3) whether it will explore launching a trial scheme under which electric personal mobility devices are permitted to be used at designated places (e.g. roads with relatively low vehicular flow as well as
designated public spaces, cycle tracks and footpaths), so as to assess the feasibility of legalizing the use of such devices; if not, of the reasons for that?

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, my consolidated reply to the various parts of Mr Charles Peter MOK's question is as follows:

The Government endeavours to take forward "Walk in HK" and encourages citizens to "walk more, ride less". Various measures have been launched to enhance the overall walkability of Hong Kong so as to foster a pedestrian-friendly environment. In this connection, the Transport Department ("TD") has commissioned the Consultancy Study on Enhancing Walkability in Hong Kong, which covers several key issues on encouraging walking, including the feasibility of the use of electric mobility devices in Hong Kong.

Currently, according to the Road Traffic Ordinance (Cap. 374), "motor vehicle" means any mechanically propelled vehicle. Electric mobility devices such as mini-motor cycles, pedelecs, electric scooters and electric unicycles are all mechanically propelled and thus belong to "motor vehicles", which must be licensed for use on roads.

In view of the rapid technological advancement of electric mobility devices, the Consultancy Study on Enhancing Walkability in Hong Kong will look into the latest development of relevant technology, the usage of electric mobility devices in Hong Kong, the suitability of their use in Hong Kong for short-distance commuting, etc. TD will also review the regulation of electric mobility devices in overseas regions and evaluate the implications of the use of these devices in Hong Kong on road safety, accessibility and road users, as well as the relevant legal requirements, management and implementation issues, etc.

The Consultancy Study on Enhancing Walkability in Hong Kong is expected to be completed in mid-2020. The Government will make reference to the findings of the study to consider the need to introduce a regulatory system and a trial scheme for electric mobility devices.
Treatment and rehabilitation services for employees injured at work

14. **MR LEUNG YIU-CHUNG** (in Chinese): President, under the Employees' Compensation Ordinance (Cap. 282), if injury is caused to an employee by accident arising out of and in the course of his/her employment ("injury at work"), his/her employer shall pay the medical expenses for the medical treatment in respect of such injury, subject to a ceiling of $300 per day (where an employee is given medical treatment as an in-patient in a hospital or where an employee is given medical treatment other than as an in-patient in a hospital) or $370 per day (where an employee is given medical treatment on the same day both as an in-patient in a hospital and other than as an in-patient in a hospital). Some employees have relayed that as the charges for private medical services are generally higher than such ceilings, employees injured at work usually choose to receive public medical services. However, due to the long waiting time for public medical services (especially for specialist outpatient and rehabilitation treatment services), the injured employees may miss the prime time for receiving treatment and cannot return to work as early as possible. In this connection, will the Government inform this Council:

(1) of the number of cases in which employees were temporarily incapacitated by work injuries for three months or longer and, among such cases, the number of those in which the employees were hospitalized for one month or less, in each of the past five years;

(2) of the measures put in place to expedite the recovery of employees injured at work, and the details of such measures; whether it will allocate additional resources to the Labour Department ("LD"), so that LD's Occupational Health Clinics can provide employees injured at work with medical treatment and occupational health counselling more comprehensively; if so, of the details; if not, the reasons for that;

(3) whether it will (i) subsidize community groups to establish rehabilitation centres for employees injured at work, and (ii) set up a rehabilitation fund for work injuries and occupational diseases to be administered by LD, with a view to enabling employees injured at work and those suffering from occupational diseases to expeditiously receive the medical treatment and rehabilitation services they need; if so, of the details; if not, the reasons for that; and
as the Chief Executive mentioned in last year's Policy Address that the Government was studying the provision of timely treatment and rehabilitation services for injured employees in need through private medical services, of the progress of the study, as well as the specific direction of the proposed measures and the implementation timetable?

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, my reply to the question raised by the Member is as follows:

(1) From 2014 to 2018, the number of compensation claims settled in each year involving temporary incapacity of employees for more than three days as a result of work injuries (including compensation claims reported to the Labour Department ("LD") under the Employees' Compensation Ordinance ("ECO") in or before the respective settlement year) with a breakdown by the number of working days lost is provided below:

<table>
<thead>
<tr>
<th>Number of working days lost</th>
<th>Number of settled compensation claims</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Below 90 days</td>
<td>28 107</td>
</tr>
<tr>
<td>90 days or above</td>
<td>6 746</td>
</tr>
<tr>
<td>Total</td>
<td>34 853</td>
</tr>
</tbody>
</table>

If the work injury sick leave of an employee does not exceed three days and no permanent incapacity is involved, the employer should make direct payment of compensation to the employee in accordance with ECO. LD does not keep statistics on the number of working days lost for this type of cases. Moreover, LD does not keep statistics on compensation claims with a breakdown by the hospitalization condition of the employees.

(2) to (4)

LD recognizes that rehabilitation services are very important to facilitate the recovery and early return to work of employees injured at work.
At present, for employees who sustain work injuries or suffer from occupational diseases prescribed by ECO, hospitals and clinics under the Hospital Authority ("HA") provide integrated treatment and rehabilitation services which include, among other things, specialist treatment, physiotherapy and occupational therapy.

The Occupational Health Clinics of LD provide medical treatment and occupational health counselling to employees who have sustained injuries at work or contracted occupational diseases. Besides, subject to the patients' clinical conditions and needs, the occupational health doctors in the clinics will refer the patients to hospitals and clinics under HA for rehabilitation treatment to facilitate their early recovery from the injury. Depending on the patients' rehabilitation progress, the occupational health doctors will also give advice to the patients on resumption of work and provide recommendations to the employers on relevant work adjustments as necessary to facilitate the patients' gradual return to work.

In addition, the insurance industry has launched the Voluntary Rehabilitation Programme ("VRP") since March 2003 to provide injured employees with an additional channel to receive free rehabilitation services in the private sector through the insurers' arrangements to facilitate their speedy recovery and early return to work under safe circumstances. Under VRP, the participating insurers identify appropriate cases, initiate contacts with the injured employees and invite them to participate in the programme on a voluntary basis. Injured employees can decide on their own whether to accept the insurers' invitation or not and participation in VRP will not affect their rights and benefits under ECO.

The Government understands that injured employees using public medical services, like other members of the public, are facing a relatively long waiting time for certain specialty services, thus preventing them from receiving early treatment and rehabilitation for their injury. Furthermore, the public health care system may not be able to provide sufficiently coordinated treatment and rehabilitation services geared towards helping the injured employees to return to work early. In light of this, LD is actively looking into a feasible way forward, with a view to providing timely and coordinated treatment and rehabilitation services to injured employees in need as
well as speeding up and enhancing the effectiveness of rehabilitation, thus facilitating their early recovery and return to work.

The scope of LD's study includes the design and operation of a feasible scheme, content of the services, the necessary expenditure and financial arrangements, the legislative work that may be required, etc. Preliminary ideas include pairing an independent case manager with each participating injured employee to follow up on the case, coordinate the communication amongst relevant stakeholders (including medical professionals, injured employees, insurance companies and employers) and assist the injured workers to return to work. Engaging the private sector in the provision of relevant medical and rehabilitation services is also being considered. The purpose is to provide timely and highly-coordinated treatment and rehabilitation services for injured employees. LD will complete the study and come up with recommendations as soon as possible. The views of different stakeholders will be sought in the process.

Developing Kowloon East

15. MR PAUL TSE (in Chinese): President, some members of the public have relayed that the emergence of various problems in a number of major infrastructure projects in recent years has greatly undermined their confidence in the Government's proper implementation of infrastructure projects. For instances, the proposals for the Redevelopment of Hong Kong Stadium as well as the construction of the Kai Tak Sports Park and the Hong Kong Palace Museum had been the subjects of incessant controversies before final decisions were made; the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Shatin to Central Link projects experienced situations of serious cost overruns, delays or poor workmanship during the construction stage; the Kai Tak Cruise Terminal has remained practically deserted since its commissioning and failed to bring about the expected benefits; it is doubtful if the recently commissioned Central-Wan Chai Bypass, which cost $36 billion and took nine years to construct, is effective in alleviating the traffic congestion on the northern part of Hong Kong Island. Some members of the public have queried that the projects introduced by the Government are "good for nothing" and they are even worried that the same
mistakes will be made to the projects under the Lantau Tomorrow Vision. As such, they have made it clear that they will object to the implementation of any new major infrastructure project. In this connection, will the Government inform this Council:

(1) when it will make public (i) the findings of the detailed feasibility study on and (ii) the way forward for the Environmentally Friendly Linkage System for Kowloon East ("EFLS");

(2) whether the Government, when studying EFLS in the past years, concurrently conducted studies on reclamation at Kwun Tong Typhoon Shelter, with a view to increasing land supply in Kowloon East and resolving the problem of insufficient ancillary transport facilities for the Kai Tak Cruise Terminal;

(3) given that the first batch of residential flats built under the Lantau Tomorrow Vision will not be completed for intake until 2032 the earliest, but some studies have pointed out that by conducting reclamation along the waters between the Kai Tak Approach Channel located on the north-eastern part of the Kai Tak runway and Kwun Tong Typhoon Shelter, more than 85 hectares of land can be provided from 2024 to 2027, which will be sufficient for the construction of 70,000 residential flats, whether, before taking forward the reclamation plans relating to the Lantau Tomorrow Vision, the Government will "take the short cut" by proceeding with the reclamation works at Kwun Tong Typhoon Shelter which are smaller in scale, faster to complete and less costly, so as to demonstrate the Government's ability to implement highly efficient and cost-effective infrastructure projects, thereby restoring the confidence of the public in the Government's proper implementation of infrastructure projects; and

(4) whether it has assessed if conducting reclamation works at Kwun Tong Typhoon Shelter will breach the Protection of the Harbour Ordinance (Cap. 531); if it has assessed and the outcome is in the affirmative, and given some experts' criticisms that the Ordinance was enacted without prior detailed analysis and public consultation, comprises unclear provisions and has gravely hindered the development of Hong Kong, whether the Government will consider amending the Ordinance with a view to commencing the works concerned as soon as possible to provide more residential sites?
SECRETARY FOR DEVELOPMENT (in Chinese): President, the Government has been implementing major infrastructure and public works projects in an appropriate and orderly manner with a view to improving people's quality of living, enhancing the long-term competitiveness and promoting the economic development of Hong Kong. Notwithstanding that there have been instances of cost overruns and delays in the delivering of certain mega projects in recent years due to unforeseeable circumstances that arose in the course of project implementation, we have maintained consistently good performance in cost estimation for projects under the Capital Works Programme as a whole.(1)

In view of the rising aspirations from the general public for better performance of public works projects in recent years, we established in June 2016 the Project Cost Management Office ("PCMO") under the Works Branch of the Development Bureau to take forward various cost management initiatives for public works projects and promote cost management in the private construction sector. Subsequently, the Chief Executive announced in the 2018 Policy Address that the Government will upgrade PCMO and expand its establishment and functions. We will therefore establish the Project Strategy and Governance Office for implementing strategic initiatives and enhancing capabilities in cost surveillance and project governance, so as to enhance the cost-effectiveness of major infrastructure and public works projects (including those public works projects under the Lantau Tomorrow Vision), minimize risks of cost overrun and delays with a view to coping with Hong Kong's long-term development and meeting our people's needs.

With respect to the Kai Tak Development ("KTD"), the Government has been taking forward the implementation of various infrastructure projects in phases to cope with the new population intake and various development needs in the district with a view to realizing the planning theme of transforming KTD into a heritage, green, sports and tourism hub.

Our responses to the four parts of the question raised by Mr TSE, having taken into account the inputs of relevant departments, are as follows:

(1) The Finance Committee ("FC") of the Legislative Council approved a total of about 580 Category A works projects with a total provision of $890 billion in the past 10 years. Among them, about 70 projects required application to FC for additional funding, which totalled around $64.5 billion. In other words, additional funding was required in approximately 10% of the projects and the amount represented some 7% of the total provision.
(1) The Civil Engineering and Development Department ("CEDD") is conducting the second stage of the detailed feasibility study for the Environmentally Friendly Linkage System for Kowloon East ("EFLS"), which is to explore the EFLS scheme, including its network coverage, alignment and station locations, etc., and conduct associated technical and financial assessments to ascertain its feasibility. Upon completion of the Study, the Government will consider the way forward for the EFLS project.

(2) to (4)

The Government started planning for the future development of the former Kai Tak Airport site in the early 1990s. In 2001, the Government completed the Comprehensive Feasibility Study for the Revised Scheme of South East Kowloon Development, which proposed a total development area of 460 hectares with about 133 hectares from reclamation including the northern part of the Kwun Tong Typhoon Shelter ("KTTS"). In light of the judgment handed down by the Court of Final Appeal regarding the interpretation of the Protection of the Harbour Ordinance (Cap. 531) in 2004, the Government launched the Kai Tak Planning Review in mid-2004 with a view to examining the planning and engineering works of the former Kai Tak Airport site and preparing a new development proposal based on the "zero reclamation" principle. Three stages of public engagement were conducted between 2004 and 2006. Subsequently, recommendations of the Kai Tak Planning Review were incorporated into the Kai Tak Outline Zoning Plan ("OZP") in November 2006, which were approved by the Chief Executive in Council in November 2007. The approved Kai Tak OZP No. S/K22/6 currently in force is mainly based on OZP exhibited in 2006 which does not involve any reclamation proposal and has gone through several rounds of public participation. Neither is there proposal of reclaiming KTTS for the purpose of increasing land supply in Hong Kong under the studies for EFLS.

In fact, KTTS is part of a busy working harbour, as well as a good place for water recreation. The Government is now promoting the development of the typhoon shelter in accordance with such a direction and on the basis of the existing Kai Tak OZP. For
instance, the Government is undertaking the "Planning and Engineering Study on Kwun Tong Action Area—Feasibility Study". The Study Area comprises the Kwun Tong Action Area, KTTS and part of the Kai Tak Approach Channel. The study proposes water body co-use initiatives to provide venues in the typhoon shelter for secondary contact water-based recreational activities (e.g. rowing) during non-typhoon days. The concerned reclamation proposal will affect the direction of promoting water body co-use. Besides, KTTS is the second largest typhoon shelter within the Victoria Harbour. If KTTS is to be released for other development purposes, the overall supply of sheltered berthing spaces in Hong Kong would decrease, which will render the overall supply of sheltered berthing spaces insufficient to address the demand of local vessels in future. Hence, if reclamation is to be conducted at KTTS, site(s) must be identified in advance for planning of new typhoon shelters or sheltered anchorages, so as to ensure that there will be sufficient safe berthing spaces for local vessels to take refuge during typhoons or inclement weather.

As mentioned above, the Government is taking steps to implement KTD in accordance with the approved Kai Tak OZP, and there is currently no plan to carry out major reclamation works in any part of KTTS, which forms part of the Victoria Harbour. There is also no intention to make amendment to the Protection of the Harbour Ordinance (Cap. 531) in the meantime.

Regarding the public transport for the Kai Tak Cruise Terminal ("KTCT"), the Transport Department ("TD") has been closely monitoring the relevant passenger demand and reviewed the public transport service level from time to time. At present, there are daily franchised bus, green minibus and ferry services plying between the terminal and other areas. TD will continue to carry out such work with a view to enhancing the public transport service level of KTCT as and when necessary.

Besides, CEDD is at present carrying out improvement works to a number of vehicular accesses (via Cheung Yip Street at its junction with Hoi Bun Road through a route of single two-lane roads comprising Shing Cheong Road at the former south apron, Kai Tak
Bridge and Shing Fung Road at the former runway) to KTCT. The said road improvement works involve the realignment and widening of the existing traffic route to a dual two-lane distributor road for completion in 2019. CEDD has also planned to commence construction of the Road D3 (Metro Park Section) in the first half of 2019 that will provide a direct traffic route within KTD linking the developments at the former south apron and former runway (including KTCT) with the former north apron (including the Kai Tak Station of the Shatin to Central Link). The capacity of the road network serving the terminal will be substantially increased upon the progressive completion of the said road works.

Licensing regime for property management companies and property management practitioners

16. **MR ANDREW WAN** (in Chinese): President, the period for the public consultation conducted by the Property Management Services Authority on proposals regarding the licensing regime for property management companies and property management practitioners under the Property Management Services Ordinance (Cap. 626) ended on the 18th of this month. Regarding the licensing regime, will the Government inform this Council:

(1) as it is provided in section 7(5) and (8) of Cap. 626 that where a property contains 1,500 or more than 1,500 flats as defined by section 2 of the Building Management Ordinance (Cap. 344), and the property is managed by an owners' organization of the property on its own (i.e. without engaging any property management company or property management practitioner), the owners' organization concerned is required to obtain a licence under Cap. 626, whether the Government knows the current number of this type of properties, with a breakdown by type of owners' organizations (i.e. owners' corporations ("OCs"), owners' committees and other forms of organizations) managing the property;

(2) whether those contractors currently providing cleansing and horticultural services for properties will be required to obtain a licence upon implementation of the licensing regime;
(3) whether it will, by making reference to the Contractors' Performance Rating scheme for registered lift and escalator contractors implemented by the Electrical and Mechanical Services Department, introduce a similar performance rating scheme for licensed property management companies/practitioners; if so, of the details; if not, the reasons for that; and

(4) whether it will consult the property management services sector, OCs and the Panel on Home Affairs of this Council on the proposed subsidiary legislation on the licensing regime before commencing the relevant legislative procedure?

SECRETARY FOR HOME AFFAIRS (in Chinese): President, the Property Management Services Ordinance (Cap. 626) ("PMSO") was enacted by the Legislative Council on 26 May 2016. It aims to establish the Property Management Services Authority ("PMSA"), which regulates and controls the provision of property management services by licensing property management companies ("PMCs") and property management practitioners ("PMPs") and sets the professional requirements respectively for PMCs and PMPs, with a view to enhancing the professionalism and service quality. According to section 6 of PMSO, no person may, without a PMC licence, act as a PMC, and no person may, without a PMP licence, act as a PMP.

According to PMSO, PMSA is responsible for the implementation of the licensing regime. In this regard, PMSA conducted in November 2018 a two-month public consultation to collect public views on the proposed licensing regime.

With regard to the four parts of Mr WAN's question, my reply is as follows:

(1) PMSO aims to regulate companies providing property management services, and the practitioners assuming a managerial or supervisory role in such companies in relation to the property management services provided by the companies. Performing the duties under the Building Management Ordinance (Cap. 344) ("BMO") and the Codes of Practices under BMO, etc. by owners' corporations ("OCs") does not equate to carrying on the business of providing property management services. Therefore, OCs (and the management
committees of OCs) are not PMCs, and the members of the management committees are not PMPs. They are not the target of regulation of PMSO and are not required to be licensed.

As regards owners' organizations, the only exception is "self-managed" properties which contain 1,500 or more flats (i.e. the owners' organizations of the properties have not engaged any licensed PMCs and are providing property management services on their own). These owners' organizations will not be exempted (i.e. section 7(8) of PMSO). Such arrangement is to respond to the concern raised by some members of the Bills Committee during the scrutiny of PMSO, i.e. the management standard of the "self-managed" properties may not be satisfactory if the number of flats in such properties is very large, and there would be a need for certain level of regulation. On the basis of the preliminary understanding of the Home Affairs Department, there may only be very few such cases in Hong Kong.

(2) Pursuant to section 3 of PMSO, PMSA may, by regulation, prescribe a service falling within a category of services set out in Schedule 1 to PMSO as a "property management service". Whether an individual company is required to apply for a licence after the implementation of the licensing regime depends to a large extent on the specific definition and coverage of "property management service" under the subsidiary legislation for the licensing regime to be formulated by PMSA.

According to section 7(2) of PMSO, if a company carries on the business of providing "property management service", and such service falls neither within more than one category of services nor one type of services under a category of services, then such company will not be subject to the licensing regime. The practitioners providing the relevant service(s) in such company will also not be subject to the licensing regime. Moreover, practitioners in a company which carries on the business of providing more than one category of services (i.e. a PMC which is required to be licensed) will not be subject to the licensing regime, unless they assume a managerial or supervisory role in relation to the "property management services" provided by such company.
PMSA conducted a public consultation early on regarding the details of the licensing regime (including how, pursuant to section 3 of PMSO, to prescribe a service as a "property management service" that should be regulated). Among the different views collected during the consultation period, some opined that companies and practitioners providing cleaning and gardening services, etc. to a property at the same time should not be subject to the licensing regime, and, following the above, PMSA should not put cleaning service and gardening service under two different categories of "property management services" or as two different types of services under the same category when prescribing "property management services".

PMSA will take the relevant views and the actual circumstances of the industry operation into account when prescribing "property management services", with a view to balancing the development and regulatory needs of the industry.

(3) PMSO provides for a single-tier licensing regime for PMCs and a two-tier licensing regime for PMPs. In order to ensure the quality of property management services, both PMCs and PMPs have to fulfil a set of criteria before they are granted a licence.

The licensing criteria of a PMC include the minimum number of directors and employees holding PMP licences and whether the company is suitable for holding a PMC licence (e.g. whether the company is in liquidation or subject to a winding-up order, whether there are past conviction records of relevant offences, the suitability of its directors, etc.).

As regards PMPs, the licensing criteria include academic qualifications, professional qualifications, years of working experience and the suitability of the person in holding a PMP licence (e.g. whether the individual is a mentally disordered person, whether there are conviction records for relevant offences, etc.). The professional requirements to be complied by a licensed PMP (Tier 1) are more stringent than those by a licensed PMP (Tier 2). The former may describe himself/herself as a "registered professional property manager" whereas the latter a "licensed property
management officer”. Such a two-tier licensing regime encourages PMPs to pursue professional development in order to move to a higher tier, while continues to allow those with a lower level of qualifications to have access to the job market.

PMSO empowers PMSA to monitor the performance of licensed PMCs/PMPs through different means, including investigating complaints involving disciplinary offences, and conducting disciplinary actions against PMCs/PMPs which/who are in breach of the requirements under PMSO and/or the codes of conduct drawn up by PMSA, such as revocation or suspension of licences and other sanctions such as reprimands, warnings, fines, etc. In addition, to ensure consumers are fully informed in selecting PMCs, licensed PMCs are required to provide PMSA with certain essential information (e.g. the property management portfolio, the number of licensed PMPs employed, etc.) so that PMSA can upload the information to its website for public inspection.

As to whether PMSA will introduce other administrative measures, such as the introduction of a performance rating system for licensed PMCs and/or PMPs, we have relayed such views to PMSA for its consideration.

We will urge PMSA to take full consideration of such views when formulating the implementation details of the licensing regime.

(4) PMSA is studying in detail the views collected during the public consultation with a view to refining the licensing regime, such that the regime can balance the development and regulatory needs of the industry. We will closely monitor the process of drafting the subsidiary legislation and implementation details by PMSA. Together with PMSA, we will fully communicate with stakeholders (i.e. the property management industry, OCs, the Legislative Council, etc.) to explain and clarify the specific details so as to eliminate any misunderstanding. We look forward to the early implementation of the licensing regime so as to regulate the provision of property management services and enhance professionalism and service quality.
Samaritan Fund and Community Care Fund Medical Assistance Programmes

17. DR CHIANG LAI-WAN (in Chinese): President, having considered the findings of a consultancy study carried out by two universities, the Government has agreed to enhance the means test mechanism for the Samaritan Fund and Community Care Fund Medical Assistance Programmes ("the two Programmes"). The enhancement measures include: (1) taking into account only 50% (previously 100%) of the net disposable capital when calculating the annual disposable financial resources ("ADFR") of the household to which a drug subsidy applicant belongs, and (2) amending the definition of "household" adopted for financial assessment. According to the new definition of "household", (i) for a married non-dependent patient, the assets of his/her parents living under the same roof will not be counted, and (ii) for an unmarried non-dependent patient, the patient will be treated as a single-person household. Regarding the two Programmes, will the Government inform this Council:

(1) whether it knows the average, longest and shortest time taken by the authorities in the past three years on vetting and approval of the applications under the two Programmes;

(2) whether it knows, in respect of each category of drugs (categorized by type of illness), (i) the total number of patients receiving subsidies under the two Programmes and, among them, the respective numbers of those receiving full and partial subsidies, (ii) the average amount of subsidy received by each subsidized patient, (iii) the average amount of drug cost contributions made by each subsidized patient, and (iv) the total subsidy amount for each category of drugs, in each of the past three years;

(3) whether it knows the respective numbers of applications for subsidies for (i) drug items and (ii) non-drug items which were rejected in each of the past three years;

(4) given that the school fees of children at secondary level or below are allowable deductions in determining the ADFR of the households to which the applicants under the two Programmes belong, whether the
authorities will treat school fees of children at post-secondary level as allowable deductions; if so, of the details; if not, the reasons for that;

(5) whether it will set a retrospective period for the two Programmes so as to provide subsidies for covering the expenses incurred by the medical procedures carried out, medical supplies/devices procured or medical treatments commenced within a certain period of time prior to the approval of applications, in order to avoid delays in the treatment of patients with financial needs as their applications for subsidy are pending; if so, of the details; if not, whether it will streamline the application procedure and shorten the processing time; and

(6) whether it will regularly review the two Programmes in terms of their scope of subsidies, eligibility criteria and issues relating to vetting and approval of applications, so that the subsidies may better meet the needs of patients; if so, of the timetable; if not, the reasons for that?

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, my reply to the various parts of the question raised by Dr CHIANG Lai-wan is as follows:

(1) The Hospital Authority ("HA") does not keep statistical records on how long it takes to complete the vetting and approval of an application for subsidies under the Samaritan Fund ("SF") or Community Care Fund ("CCF") Medical Assistance Programmes upon receipt of the application from the applicants. Yet, all such applications will be processed by medical social workers as soon as possible once doctors' referrals and the necessary information or documents required from the patients concerned are received so that timely support can be provided for patients in need. As for urgent cases, medical social workers will expedite the processing so as to give support to eligible patients as early as possible.

(2) The information on drug subsidies provided under SF and CCF Medical Assistance Programmes in the past three years is set out at the Annex.
(3) The numbers of applications for subsidies not being approved in the past three years are set out in the table below:

<table>
<thead>
<tr>
<th>Year</th>
<th>2015-2016</th>
<th>2016-2017</th>
<th>2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidies for drug items</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Subsidies for non-drug items</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

(4) Currently, allowable deductions to be counted in the calculation of patients' household annual disposable income include school fees of children (up to age of 21) who are at secondary level or below, but do not cover school fees of children at post-secondary level. In reviewing the means test mechanism for SF and CCF Medical Assistance Programmes, the consultant team collected views from various stakeholders, and recommended the Government and HA to consider increasing the number of allowable deductible items and relaxing the restrictions on the existing allowable deductions. Yet adding school fees of children at post-secondary level as allowable deductions is not among those suggested by the consultant team. The Government and HA will continue to study these issues taking into account the consultant team's recommendations, stakeholders' views and HA's capacity on an incremental basis.

(5) As mentioned in the reply to Part (1) above, applications for subsidies will be processed by medical social workers as soon as possible once doctors' referrals and the necessary information or documents required from the patients concerned are received so that timely support can be provided for patients in need. Under the existing arrangements for applications under SF and CCF Medical Assistance Programmes, patients are granted subsidies only after the approval of their applications. For cardiac medical items covered by SF, HA will make special arrangements where necessary under special clinical circumstances (such as emergency cases) if the means test for a patient has not yet been completed before the surgery.

Furthermore, based on the review findings, the Government and HA have introduced a number of enhancement measures, including confining the definition of "household" adopted for financial assessment to cover only core family members living under the same roof and having direct financial connection with the patient
concerned. If a patient is classified as a dependent patient (i.e. a person who is unmarried and either (i) under 18 years old; or (ii) 18 to 25 years old receiving full-time education), the corresponding "household" definition will only include the patient's parents/legal guardians, and dependent siblings living under the same roof. As regards non-dependent patients, the corresponding "household" definition will only include the patient's spouse and dependent children living under the same roof. A non-dependent patient who is unmarried will be treated as a single person household, irrespective of whether the patient's parents or siblings are living under the same roof. The refined definition of "household" will reduce the number of household members, and hence the incomes and assets of non-core family members will not be included in the calculation of the annual disposable financial resources ("ADFR"). This will help further reduce patient contribution to drug expenses and simplify the application procedures.

(6) HA has an established mechanism for reviewing the scope of subsidies under SF and CCF Medical Assistance Programmes. To provide more timely support for needy patients, HA has, since 2018, increased the frequency of prioritization exercise for including self-financed drugs in the safety net of SF or the scope of subsidies under CCF Medical Assistance Programmes from once a year to twice a year, so as to shorten the lead time for introducing suitable drugs into the scope of subsidies.

Regarding the means test mechanism, apart from confining the definition of "household" adopted for financial assessment, the enhancement measures also include modifying the calculation of ADFR by counting only 50% of the net assets of a household. The consultant team expected that these enhancement measures would significantly alleviate the financial burden on patients' families arising from drug expenditure. The consultant team also studied other related issues such as the financial assessment for patients who are in need of multiple and/or recurrent items. The Government and HA will continue to study these issues taking into account the consultant team's recommendations, stakeholders' views and HA's capacity on an incremental basis.
LEGISLATIVE COUNCIL ― 30 January 2019

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Annex

81,672
100,266
285,696
168,915
74,167

13,751 3.51 26
19,448 14.44 110
31,398 11.14 36
35,543 14.53 61
0
19,194 1.48 18

9
38
15
38
2
11

89,060
102,589
252,663
178,684
345,851
74,612

17,146 3.12
15,843 15.18
46,380 12.89
33,012 17.69
28,549 0.69
11,341 2.17

77,313
184,358
78,018
156,157
86,602
238,177
115,169
87,133
0

22,479 3.94 22
28
26,059 23.96 68
22,460 2.42 38
2,616 0.94
6
16,398 19.05 136
5
16,182 6.19 19
38,096 0.81
4
11,628 12.20 101
0
0
0

14
19
52
10
1
64
1
12
3
43
0

100,550
209,270
187,646
78,311
101,504
89,213
156,916
238,101
68,692
88,952
0

11,480 3.62
27,796 9.84
21,539 22.52
7,075 3.76
49,519 0.71
15,886 17.84
4,124 0.94
16,275 7.38
40,458 0.48
12,607 12.81
0
0

124,285
110,415
0
124,292
244,358
223,309
93,218
86,351
58,208
66,793
171,588
81,861

27,263
23,985
0
23,563
3,221
23,213
4,991
34,204
18,375
19,271
45,831
64,890

145 70
30
8
0
2
33 16
0
0
63 51
16
2
167 104
33 15
85 39
241 248
4
2

158,118
113,137
198,350
152,066
0
237,425
82,167
80,962
65,234
65,913
187,433
80,068

26,867 34.00
23,189 4.30
13,276 0.40
24,947 7.45
0
0
28,602 27.06
4,345 1.48
32,867 21.94
18,068 3.13
17,841 8.17
52,133 91.65
57,932 0.48

134,625
228,972
79,625
18,769
116,228
109,289
63,116
130,736
63,834

19 11
23,901 2.69 32 16
0 0.46
6
2
33,558 1.04 22 21
8,283 0.34 21
9
32,102 40.33 247 136
28,627 55.30 341 145
6,612 6.06 70 40
37,684 5.88 31 19
23,166 2.62 41 12

138,140
130,655
250,488
145,170
139,721
94,726
86,909
63,808
103,162
65,423

44,955 4.15
36,363 6.27
12,337 2.00
20,242 6.24
39,210 4.19
26,052 36.28
20,703 42.24
12,037 7.02
31,254 5.16
24,040 3.47

Average patient
contribution(1)
($)
Total subsidy
($ million)
Number of cases with
full subsidy
Number of cases with
partial subsidy

Average patient
contribution(1)
($)
Total subsidy
($ million)

2017-2018
Average subsidy amount
($)

SF
Abatacept
28
7 84,855 21,758 2.97 33 10
Adalimumab
81
39 102,353 16,306 12.28 98 46
Azacitidine
25 14
Bortezomib
61
42 200,945 21,132 20.70 57 29
Canakinumab
Certolizumab
14
6
Pegol
Cetuximab
38 13
Crizotinib
Dasatinib
62
49 188,583 23,883 20.93 70 60
Eltrombopag
25
8 95,624 12,531 3.16 26
5
Erlotinib
9
4 103,553 22,444 1.35
4
2
Etanercept
141
76 90,409 14,169 19.62 149 71
Everolimus
Fingolimod
11
6 233,530 30,914 3.97 16 10
Gefitinib
4
3 135,285 48,788 0.95
4
3
Golimumab
81
40 87,805 10,686 10.62 90 50
Growth
0
0
0
0
0
0
0
hormone
Imatinib
208 150 202,731 23,320 72.57 218 154
Infliximab
30
13 106,409 9,000 4.58 39
7
Interferon
2
1 184,971 4,097 0.55
0
0
Lenalidomide
17
5 131,764 20,685 2.90 30
9
Natalizumab
0
1 234,755 12,824 0.23
0
1
Nilotinib
50
54 230,194 26,716 23.94 57 58
Plerixafor
5
1
Rituximab
152 104 81,291 28,909 20.81 179 93
Temozolomide 34
12 55,056 9,109 2.53 34 19
Tocilizumab
70
32 72,863 11,116 7.44 87 33
Trastuzumab
264 260 162,766 42,500 85.29 301 283
Ustekinumab
0
1 110,320 2,000 0.11
2
2
CCF Medical Assistance Programme (First Phase Programme)
Abiraterone
Afatinib
12
8
Bendamustine
2
0
Bevacizumab
10
4 94,879 17,061 1.33
7
6
Cetuximab
18
12 75,189 21,066 2.26 10
8
Enzalutamide
Erlotinib
174 124 115,198 35,648 34.33 219 128
Gefitinib
309 189 132,223 26,915 65.85 341 165
Lapatinib
36
30 61,038 5,058 4.03 67 29
Pazopanib
18
9 121,913 36,445 3.29 33 12
Pegylated
36
8 59,385 29,780 2.61 23 18
liposomal
Doxorubicin

Average subsidy amount
($)

Number of cases with
full subsidy
Number of cases with
partial subsidy

2016-2017

Total subsidy
($ million)

Average patient
contribution(1)
($)

Average subsidy amount
($)

Number of cases with
partial subsidy

Drug Items

Number of cases with
full subsidy

2015-2016

46.23
5.08
0
4.85
0.24
25.68
0.56
23.49
3.08
8.02
100.21
0.33


### Support for children with special educational needs

**DR ELIZABETH QUAT** (in Chinese): President, children with special educational needs ("SEN") refer to children with the following conditions: specific learning difficulties, attention deficit/hyperactivity disorder, autism spectrum disorders, speech and language impairment, intellectual disability, hearing impairment, physical disability, visual impairment and mental illness. Regarding the support for children with SEN, will the Government inform this Council:

1. of the respective numbers of children referred to the Child Assessment Centres ("CACs") under the Department of Health ("DH") for assessments in each of the past five years by (i) clinics under DH, (ii) the Hospital Authority ("HA"), (iii) the Social Welfare Department ("SWD") and (iv) the Education Bureau ("EDB");

2. given that at present, children with physical, developmental, behavioural or learning problems are first referred to the Maternal and Child Health Centres of their respective districts for assessment, are then referred, on a need basis, to CACs for assessment, and are subsequently referred, on a need basis, to HA for specialty consultation, whether the Government has assessed if the process is
too complicated and can be streamlined so as to facilitate early identification of children with SEN and follow up their needs; if it has, of the details; if not, the reasons for that;

(3) given that the "On-site Pre-school Rehabilitation Services" and the "Training Subsidy Programme for Children on the Waiting List of Subvented Pre-school Rehabilitation Services" target at children with SEN who are aged below six, whether the Government will relax the age ceiling so that such children can continue to receive support upon admission to Primary One; if so, of the details; if not, the reasons for that;

(4) given that starting from the current school year, pre-school rehabilitation service units will, before school year begins, forward to EDB through SWD the progress reports of children with SEN who are of the right age for admission to Primary One, so that EDB can transfer the relevant information to the primary schools concerned before the commencement of the school year, whether the Government has (i) received complaints about this arrangement, and (ii) assessed the effectiveness of the arrangement; if so, of the details;

(5) given that under the integrated education policy, children with SEN will attend mainstream schools, and schools will support students facing varying degrees of learning difficulties according to the "3-Tier Support Model", but there are views that school-based support measures cannot provide support according to the actual situation of individual students, whether the Government will introduce measures which better cater for the individual needs of students; if so, of the details; if not, the reasons for that; and

(6) whether it will consider afresh (i) compiling statistics on the number of children waiting for SEN assessment each year as well as their waiting time, and (ii) setting up a central database for children with SEN to facilitate stakeholders to grasp the demand for services to support children with SEN; if so, of the details; if not, the reasons for that?
SECRETARY FOR EDUCATION: President, through multidisciplinary collaborative efforts, relevant government bureaux/departments have been offering various services to support children with special needs or at risk of developmental delay. Specifically, the Food and Health Bureau provides assessment and medical services for children in need, while the Labour and Welfare Bureau provides rehabilitation and welfare services. The Education Bureau is responsible for providing public sector ordinary schools with various additional resources, professional support and teacher training to help them cater for students with special educational needs ("SEN"). By providing training for teachers, teachers' professional capacity can be enhanced so that they can identify and provide appropriate support for children with special needs as early as possible.

Our consolidated reply, prepared in consultation with relevant bureaux and departments, to the question of Dr Elizabeth QUAT is as follows:

(1) The Child Assessment Service ("CAS") of Department of Health ("DH") conducts clinical assessment for children under the age of 12 years with suspected symptoms of developmental problems referred by doctors or psychologists. New cases are referred from various channels, including Maternal and Child Health Centres ("MCHCs"), the Hospital Authority ("HA"), doctors in private practice and psychologists. In the past five years, the number of new cases referred to CAS from various sources is as follows:

<table>
<thead>
<tr>
<th>Channels of referral</th>
<th>Number of cases</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (Provisional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCHCs and other specialties under DH</td>
<td></td>
<td>5 731</td>
<td>6 328</td>
<td>6 554</td>
<td>6 812</td>
<td>7 155</td>
</tr>
<tr>
<td>Paediatricians, OutPatient Clinics and other specialties under HA</td>
<td></td>
<td>1 344</td>
<td>1 368</td>
<td>1 416</td>
<td>1 422</td>
<td>1 233</td>
</tr>
<tr>
<td>Doctors in private practice</td>
<td></td>
<td>1 844</td>
<td>1 652</td>
<td>1 611</td>
<td>1 533</td>
<td>1 442</td>
</tr>
<tr>
<td>Channels of referral</td>
<td>Number of cases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>-----------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
<td>2016</td>
<td>2017</td>
<td>2018 (Provisional)</td>
<td></td>
</tr>
<tr>
<td>Psychologists from HA, the Education Bureau, the Social Welfare Department (&quot;SWD&quot;), non-governmental organizations and in private practice</td>
<td>548</td>
<td>505</td>
<td>600</td>
<td>655</td>
<td>630</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>27</td>
<td>19</td>
<td>7</td>
<td>16</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9 494</td>
<td>9 872</td>
<td>10 188</td>
<td>10 438</td>
<td>10 466</td>
<td></td>
</tr>
</tbody>
</table>

(2) MCHCs under DH provide a comprehensive range of health promotion and disease prevention services for children from birth to five years of age through the Integrated Child Health and Development Programme which covers developmental surveillance. Through developmental surveillance, health care staff of MCHCs arrange interviews with parents at specific ages of the children and observations of their performance in various developmental areas for early identification of children suspected to have developmental disorder. Apart from the scheduled visits at specific ages, parents can always make appointments with MCHCs for special follow-up. In addition, under the Comprehensive Child Development Service jointly implemented by the Education Bureau, DH, HA, SWD and non-governmental organizations, preschool tutors can directly refer children in need to MCHCs of respective districts for preliminary assessment. Subject to assessment results and needs, MCHCs may refer children to assessment services of DH or other specialist services of HA for follow-up. The waiting time for assessments by doctors at MCHCs generally ranges from four to eight weeks. DH will continue to monitor the service demand and make internal manpower deployment as needed to ensure timely case referral.
(3) On preschool rehabilitation services, SWD provides children with special needs from birth to six years of age with early intervention to enhance their physical, psychological and social development, thereby improving their opportunities for admission to ordinary schools and participation in daily activities, and helping their families to meet their special needs. These services include the On-site Pre-school Rehabilitation Services and the Training Subsidy Programme for Children on the Waiting List of Subvented Pre-school Rehabilitation Services.

When preschool children with special needs progress to Primary One, they need to be given various learning support, accommodations and guidance in order to adapt to learning in primary schools which have different requirements in learning, social, emotional and behavioural aspects when comparing to those in preschool stage. Hence, on top of regular subvention, the Education Bureau has been providing public sector ordinary schools with additional resources, professional support and teacher training to assist schools in catering for students (including Primary One students) with SEN so as to enhance their learning effectiveness. Starting from the 2018-2019 school year, the Education Bureau, SWD, HA and DH have strengthened their collaboration and introduced an enhanced mechanism under which the assessment information and progress reports of preschool children with special needs will be transferred to the primary schools they are going to attend before the new school year begins. This enables schools to learn about SEN of these children so as to plan and provide appropriate support for them. In parallel, the Education Bureau has all along requested primary schools to implement the "Early Identification and Intervention Programme for Primary One Students with Learning Difficulties" to ensure that students who have received preschool rehabilitation services can receive further assessment when necessary as well as early support, and also ensure that students not identified at preschool stage can be identified and be given appropriate support. The Education Bureau will continue to support Primary One students with SEN under the current mode of service.
Starting from the 2018-2019 school year, the Education Bureau, SWD, DH and HA have strengthened collaboration and implemented an enhanced mechanism to ensure that when children with special needs proceed to primary schools from preschool centres/kindergartens, the primary schools can be aware of their special needs earlier and provide them with support.

Under this mechanism, for each school year, the Education Bureau will send letters and parental consent forms to parents of children who are receiving or waiting for preschool rehabilitation services subvented by SWD, and are of the right age for admission to Primary One the next school year. Upon obtaining parental consent, the Education Bureau will send the relevant children information to the Child Assessment Centres ("CACs") of DH and HA so that CACs will provide the assessment information of these children to the Education Bureau. In June, the Education Bureau will confirm with parents the schools which their children are going to attend, i.e. public sector primary schools or Direct Subsidy Scheme ("DSS") primary schools, for transfer of the assessment information to the schools concerned before the new school year begins. This enables schools to learn about the situations of these students as early as possible with a view to providing appropriate support for them.

Besides, upon obtaining parental consent, the preschool rehabilitation service units subvented by SWD will also forward, via SWD, progress reports of preschool children to the Education Bureau for transfer to the public sector or DSS primary schools which the children are going to attend before the new school year begins. Professional officers of the Education Bureau will visit the primary schools concerned within the first six to eight weeks upon the commencement of a new school year to understand from the primary schools their support services for the respective Primary One students based on the assessment information from CACs and progress reports from preschool rehabilitation units, and will offer advice to schools as appropriate. The enhanced collaborative mechanism, implemented from the current school year, runs smoothly and we have not received any complaints. We will continue to review the implementation of this enhanced mechanism.
(5) The Education Bureau encourages schools to adopt the Whole School Approach to support students with SEN through the three-Tier Intervention Model, taking into account their individual circumstances and support needs. Tier-1 support refers to the use of quality teaching in the regular classroom to cater early the diverse learning and adjustment needs of all students, as well as to provide early support to students identified with learning difficulties and adjustment problems. Tier-2 support is an additional support, such as after-school small group training, for students to develop learning and/or social-adaptive skills required for regular classroom learning or daily living. Through practice and application in regular classroom, students' acquisition of knowledge and skills under Tier-2 support can be strengthened. Schools will provide Tier-3 support to students with severe and persistent learning difficulties by setting out individualized support and small group training through devising Individual Education Plans ("IEP"), and by providing opportunities for students to practise and apply the knowledge and skills acquired in Tier-2 and/or Tier-3 support in the classroom, thus ensuring the effectiveness of the overall support.

The above mentioned three-Tier Intervention Model is underpinned by the Response to Intervention ("RTI") approach. The determination of the tier of support for individual students with SEN through the RTI approach is rooted in the consultancy report that the British scholar Dr Rea REASON prepared for the then Education and Manpower Bureau. In the report, Dr REASON suggested that Hong Kong should, learning from the experiences of the United States of America and the United Kingdom, arrange timely and structured intervention for the students, adjust the tier of support according to RTI and review the progress of students regularly in order to evaluate and provide the appropriate tier of support for students under the three-Tier Intervention Model. The arrangement enables students with diverse needs to receive the most appropriate support and services.

To provide the appropriate tier of support that matches the needs of students with SEN, student support teams of schools collect and analyse their students' information and needs, gauge the views of students and parents, and consult professionals. Schools are also
required to record the support and accommodation measures provided, as well as their students' progress for regular review and adjustment of the tier of support when appropriate. For students who need Tier-3 support, schools must draw up for each of them an IEP which sets out items including long-term objectives, short-term objectives, specific implementation methods, evaluation criteria and outcomes, etc. Underlying the above measures is the principle of catering for the individual needs of students. We will continue to monitor the effectiveness of these measures and introduce enhancement measures.

From the 2019-2020 school year, we will implement various enhanced measures on integrated education including restructuring various funding schemes on integrated education, extending the Learning Support Grant, multiplying the grant rate for Tier-3 support and provision of additional permanent teaching posts, upgrading the post of special educational needs coordinator to a promotion rank in public sector schools with a comparatively large number of students with SEN, extending further the Enhanced School-based Educational Psychology Service, and enhancing the school-based speech therapy services. On the whole, schools will have a stable teaching force, resources that can be used flexibly and enhanced professional support to cater for students with SEN.

(6) (i) DH and HA have expressed that they will continue to maintain close communication with various service providers, with a view to providing more appropriate and effective medical services for the children with SEN.

(ii) At present, there is an established collaborative mechanism in place among the Education Bureau, SWD, DH and HA to ensure that the assessment information and progress reports of preschool children with special needs will be transferred in a timely manner to the primary schools they will be attending, thereby enabling their schools to provide appropriate support for them upon their admission to Primary One. The Special Education Management Information System ("SEMIS") of the Education Bureau also collects the information of students with SEN studying in public sector schools. The Education
Bureau has been getting hold of the situation of the demand from students with SEN for educational services and support through the information collected by SEMIS, so as to implement corresponding policies and measures to assist public sector schools in supporting these students. Different bureaux and departments can, upon parental consent, transfer the information of children with special needs. Hence, we have no plans to set up a central database for children with SEN at this stage.

Subsidy Scheme to Extend Fibre-based Networks to Villages in Remote Areas

19. **MR CHAN HAK-KAN** (in Chinese): President, the Government put forward in the 2017 Policy Address a Subsidy Scheme to Extend Fibre-based Networks to Villages in Remote Areas ("Subsidy Scheme"). In this connection, will the Government inform this Council:

(1) of the latest progress of the tendering exercise conducted for selecting fixed network operators ("FNOs") to participate in the Subsidy Scheme, and the respective expected dates for commencement and completion of the works on laying fibre-based networks;

(2) of the villages which are now covered by the Subsidy Scheme at present and their respective populations (set out by District Council ("DC") district);

(3) as some DC members have relayed that some villages (e.g. Hilltop Garden, Sha Po Tsai and Chung Tsai Yuen Garden in Tai Po, and Ki Lun Tsuen in the North District) are not covered by the Subsidy Scheme, whether the Government has completed consulting the relevant DCs and rural committees; whether it will let the Subsidy Scheme cover more villages; if so, of the details; if not, the reasons for that;

(4) as some DC members have pointed out that based on a conservative estimation, about 200,000 households are currently living in surveyed squatter structures across the territory, and that the
broadband services in some squatter areas have rather low Internet access speeds, whether the Government will let the Subsidy Scheme cover squatter areas; if not, how the Government assists the residents of squatter structures in accessing high-speed broadband services;

(5) given that if villagers currently have access to broadband services with an Internet access speed of 25 megabits per second ("Mbps") or above, the villages concerned will not be covered by the Subsidy Scheme, of the Government's justifications for setting the threshold at that Internet access speed; in view of the Government's ongoing initiatives of promoting the development of Hong Kong into a smart city as well as cost-effectiveness considerations, whether the Government will raise the threshold to 50 Mbps or higher so as to obviate the need to re-launch the Subsidy Scheme several years later in order to meet the actual needs of the villagers; if so, of the details; if not, the reasons for that;

(6) whether it will formulate performance indicators for the Subsidy Scheme, such as (i) in respect of the villages for which the works under the Subsidy Scheme have been completed, the percentage of villagers who subscribe to the high-speed broadband services provided by the relevant FNOs, and (ii) the Internet access speed and the stability of the broadband services provided by FNOs under the Subsidy Scheme; if so, of the details; if not, the reasons for that;

(7) as some villagers have indicated that they do not have a clear idea about the implementation of the Subsidy Scheme, of the existing means through which the Government disseminates the relevant information; whether it will consider strengthening its liaison with the villagers so as to answer their queries on the Subsidy Scheme; if so, of the details; if not, the reasons for that; and

(8) as some members of the public have pointed out that in tandem with technological advancement, broadband services have become a daily necessity, whether the Government will amend the relevant licensing conditions to stipulate that FNOs must provide their customers with broadband services with an Internet access speed not lower than 50 Mbps; if so, of the details; if not, the reasons for that?
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, to take forward the subsidy scheme of extending fibre-based networks to remote villages proposed by the Chief Executive in the 2017 Policy Address ("Subsidy Scheme"), the Commerce and Economic Development Bureau and the Office of the Communications Authority ("OFCA") consulted the nine relevant District Councils ("DCs") (North, Sai Kung, Tai Po, Sha Tin, Yuen Long, Tuen Mun, Tsuen Wan, Kwai Tsing and Islands), 27 Rural Committees ("RCs") and the Panel on Information Technology and Broadcasting of the Legislative Council in the first half of 2018. On 13 July 2018, the Finance Committee of the Legislative Council approved a funding of $774.4 million for the implementation of the Subsidy Scheme.

My reply to the eight parts of the question is as follows:

(1) OFCA is actively preparing for the tender exercise. It is expected that tender documents will be issued in the first half of this year such that selected fixed network operators ("FNOs") can apply for relevant permits of all departments concerned in a timely manner in order to perform different works including excavation and the laying of fibre-based networks and submarine fibre-based cables. Depending on the works progress and views of the villagers, it is expected that the subsidized lead-in connections can be extended to the villages concerned in phases from 2021 onwards.

(2) and (3)

The Subsidy Scheme targets remote villages located far away from the existing fibre-based backbone networks of FNOs where villagers can only choose broadband services delivered over copper-based networks at a speed of 10 megabits per second ("Mbps") or below. Having regard to the consideration above and based on the villages specified in the Rural Representative Election Ordinance and the List of Recognized Villages under the New Territories Small House Policy promulgated by the Lands Department, OFCA prepared the list of villages proposed to be covered under the Subsidy Scheme.

Taking into account the comments received during the consultation with the Legislative Council, the relevant DCs and RCs and after verification of the latest network coverage information with FNOs,
OFCA notes that fibre-based networks of FNOs have already reached the vicinity of the entrances of some villages that were initially proposed to be covered under the Subsidy Scheme, and some other initially proposed villages are no longer inhibited. In view of this, OFCA has refined the total number of villages proposed to be covered under the Subsidy Scheme to about 235 villages which are located in nine districts in the New Territories and outlying islands. It is estimated that the Subsidy Scheme can benefit about 120 000 villagers.

OFCA has consulted the relevant RCs again in November 2018 regarding the refined list of villages and has been receiving comments from individual RCs. After receiving comments from all RCs, OFCA will finalize the list of villages to be covered by the Subsidy Scheme. According to the latest information, the number of villages to be covered and the estimated number of benefited villagers (by district) are as follows:

<table>
<thead>
<tr>
<th>District</th>
<th>Number of villages proposed to be covered</th>
<th>Estimated number of villagers benefited</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>59</td>
<td>About 27 000</td>
</tr>
<tr>
<td>Islands</td>
<td>67</td>
<td>About 51 000</td>
</tr>
<tr>
<td>Sai Kung</td>
<td>44</td>
<td>About 13 000</td>
</tr>
<tr>
<td>Tai Po</td>
<td>26</td>
<td>About 10 000</td>
</tr>
<tr>
<td>Sha Tin</td>
<td>13</td>
<td>About 5 000</td>
</tr>
<tr>
<td>Yuen Long</td>
<td>12</td>
<td>About 5 000</td>
</tr>
<tr>
<td>Tuen Mun</td>
<td>7</td>
<td>About 5 000</td>
</tr>
<tr>
<td>Tsuen Wan</td>
<td>6</td>
<td>About 3 000</td>
</tr>
<tr>
<td>Kwai Tsing</td>
<td>1</td>
<td>Less than 1 000</td>
</tr>
<tr>
<td>Total</td>
<td>235</td>
<td>About 120 000</td>
</tr>
</tbody>
</table>

Given that Tai Po Hilltop Garden, Sha Po Tsai, Tsung Tsai Yuen and Ki Lun Tsuen as mentioned in part (3) of the question are not recognized villages specified in the Rural Representative Election Ordinance nor the List of Recognized Villages under the New Territories Small House Policy, they are not included in the list of villages proposed to be covered under the Subsidy Scheme.
Nevertheless, as these four villages are all located close to those recognized villages to be covered by the Subsidy Scheme or those recognized villages with fibre-based network coverage, it will facilitate the improvement of fixed broadband services in these four villages.

(4) As squatter areas are in general located close to recognized villages, following the completion of relevant works of extension of lead-in connections to villages covered under the Subsidy Scheme by the selected FNOs, the new lead-in connections will not only benefit the recognized villages concerned, but will also help improve the fixed broadband services of the squatter areas nearby.

In addition, if the residents of squatter areas consider that their available fixed broadband services cannot fulfil the needs of the region, OFCA can convey their comments to FNOs and encourage them to improve their network coverage at the areas concerned.

(5) The current status of broadband services in remote villages can be generally classified into two categories: (a) villages with insufficient broadband speed, i.e. lower than 10 Mbps; and (b) villages with a broadband speed of at least 25 Mbps.

The Subsidy Scheme targets villages with a broadband speed of 10 Mbps or below. These villages are generally located far away from the existing fibre-based backbone networks of FNOs, with a small number of subscribers and scattered houses. FNOs do not have sufficient commercial incentives to extend their fibre-based networks to these villages due to the high costs of network roll-out. Without Government subsidy, the villagers concerned may not be able to obtain fibre coverage even in the long-term future.

In view of this, the Government hopes to provide FNOs with financial incentives through the Subsidy Scheme to encourage the extension of fibre-based networks to the vicinity of the entrances of remote villages of this category. Upon the extension of fibre-based networks to the village entrances, FNOs can provide broadband services to villagers by connecting the fibre-based networks to the existing copper-based networks within the villages. Broadband
speed can then be raised from the current 10 Mbps or below to at least 25 Mbps, and stability of service will also improve. If the villagers allow FNOs to roll-out fibre-based networks within the village, the broadband speed can further increase substantially to a level comparable to that in the urban areas (e.g. 500 Mbps or 1000 Mbps). In addition, our tender assessment criteria will include evaluation of whether the bidding FNOs will commit to providing broadband services at higher speeds within the villages. If a FNO hopes to increase the chance of winning the bid, it will need to consider committing the roll-out of fibre-based networks within the villages for the provision of high-speed broadband services.

(6) The villages covered under the Subsidy Scheme will be grouped into six tender projects. The selected FNOs will be required to complete the relevant works of network roll-out in accordance with the requirements stipulated in the tender documents, including the roll-out of fibre-based networks to the villages specified in the individual projects. In addition, the commitments made by the selected FNOs in their proposals (e.g. the commitment to provide higher speed broadband services to villagers) will be incorporated as terms and conditions of the agreement for the Subsidy Scheme to be entered into with the Government.

Selected FNOs are also required to open up at least half of the capacity of the fibre-based networks and submarine fibre-based cables subsidized under the Subsidy Scheme for use by other FNOs for free. Such a requirement can allow other FNOs to also provide broadband services to the villages concerned by sharing the use of the subsidized facilities, thereby offering more choices to the villagers and keeping the service charges at a competitive level under the market mechanism.

(7) OFCA has all along been maintaining close communications with the relevant DCs and RCs for the Subsidy Scheme to ensure that the comments of the relevant stakeholders and villagers would be fully considered and the broadband networks could be extended to the relevant villages in a timely manner.
The current universal service obligation aims to provide the public with basic telephone services, mainly covering basic fixed voice telephony services and public payphones. Its net cost is shared among telecommunications service providers. If the universal service obligation is extended to cover fixed broadband services, not only will financial burden on the telecommunications industry be substantially increased, there will also be a fundamental impact to the understanding of basic telecommunications services, and thus the matter must be considered carefully and holistically. We do not have such a plan at the moment.

Combating traffic offences causing congestion

20. **MR JAMES TO** (in Chinese): President, some members of the local communities have relayed that the problem of illegal parking in various districts across the territory has been worsening. Besides, in locations where schools, tutorial schools and interest class studios stand in great numbers, the problem of illegal stopping and waiting of private cars at bus stops or in other restricted zones for picking up and setting down students is serious, thus causing traffic congestion. In this connection, will the Government inform this Council:

1. of the respective numbers of vehicles (i) newly registered and (ii) deregistered in each of the past 10 years, with a tabulated breakdown by class of vehicles; whether it will take measures to suppress the growth rate and number of vehicles;

2. of the respective numbers of (i) publicly and (ii) privately operated public parking spaces across the territory in each of the past five years; the estimated additional numbers of those two types of parking spaces in each of the coming five years (with a tabulated breakdown by District Council ("DC") district and class of vehicles);

3. of the number of parking spaces needed to be provided in Hong Kong, as calculated using the relevant standards in the Hong Kong Planning Standards and Guidelines, as well as the actual number of parking spaces and the ratio of such number to the number of vehicles at present; whether it has plans to amend the relevant
standards to raise the number of parking spaces needed to be provided for various types of facilities; if so, of the details; if not, the reasons for that;

(4) given that some residents in the Kai Tak Development Area have relayed that they are forced to park illegally due to a shortage of parking spaces in the area, whether the Government, when planning for the area, had planned for the number of parking spaces to be provided in the light of the expected demographic characteristics of the area (including residents' income levels); if so, of the details; if not, the reasons for that; whether it will include this factor in its planning considerations when planning for new development areas and urban renewal projects in future; if so, of the details; if not, the reasons for that;

(5) whether the number of fixed penalty notices ("FPNs") issued last year by the Police for illegal parking varied greatly among various districts; if so, of the reasons for that;

(6) as it has been reported that illegal parking has been rampant round the clock (a) in the vicinity of Hing Wah Street, Sham Shui Po and (b) at the roads near the "Four-Little-Dragon" private housing estates in Lai Chi Kok, blocking one to two traffic lanes, of (i) the number of patrol operations conducted and the average number of illegally parked vehicles found during each operation, and (ii) the number of FPNs issued by the Police in each of the past six months for illegal parking in these two locations; of the measures, other than taking law enforcement actions, put in place to combat illegal parking in these two locations;

(7) of the current number of illegal parking black spots in Hong Kong (with a tabulated breakdown by DC district);

(8) of the number of FPNs issued in each of the past 12 months by the Police to those drivers who had caused traffic congestion, with a tabulated breakdown by DC district and traffic offence;

(9) as it is learnt that at the section of Sham Mong Road outside Habour Green in the Yau Tsim Mong District, the section of Larch Street outside the centre of the Hong Kong Children's Choir in Tai Kok
Tsui, and the section of Wai Tsui Crescent outside the entrance of Hong Kong Shue Yan University in Island East, the problem of illegally stopping and waiting of private cars at bus stops or in restricted zones is serious during the hours of going to and finishing classes each day, of (i) the number of patrol operations conducted and the average number of vehicles involving illegal stopping and waiting found during each operation, and (ii) the number of FPNs issued by the Police, in each of the past six months for illegal stopping and waiting of vehicles in these three locations; apart from stepping up patrol operations, of the Police's other measures to strengthen their efforts in combating illegal stopping and waiting of vehicles in the three locations;

(10) of the current number of black spots for illegal stopping and waiting of vehicles in Hong Kong (with a tabulated breakdown by DC district); and

(11) whether it will consider introducing a system of tiered penalty levels (i.e. the more severe the problem of illegal parking and illegal stopping and waiting of vehicles at a road section is, the higher the penalty imposed in respect of such traffic offences at the road section will be) so as to enhance the deterrent effect; if so, of the details; if not, the reasons for that; whether it will study the introduction of a points system for these two types of offences so as to enhance the deterrent effect; if so, of the details; if not, the other measures put in place to combat such offences?

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, my replies to various parts of Mr James TO's question are as follows:

(1) The numbers of vehicles first registered and deregistered in each of the past 10 years with a breakdown by class of vehicles are tabulated at Annex 1 and Annex 2 respectively.

The Government's transport policy is underpinned by public transport. We encourage the public to make good use of the public transport network for their journeys as far as possible and minimize
reliance on private cars. In fact, the continuous increase in private car fleet size is a major factor contributing to road traffic congestion. The Government attaches great importance to tackling road traffic congestion problems and is exploring and taking forward by phases a host of short, medium and long term measures recommended by the Transport Advisory Committee earlier in its Report on Study of Road Traffic Congestion in Hong Kong, including containing the growth of private car fleet size.

(2) The number of public parking spaces provided by the Government and parking spaces provided at privately-operated car parks available for public use\(^{(1)}\) across the territory in each of the past five years (with a breakdown by District Council district and class of vehicles) is tabulated at Annex 3. As for the projection on the supply of public parking spaces in future, we estimate that in 2019 about 512 additional public parking spaces will be provided by the Government and about 1,692 additional parking spaces will be provided at privately-operated car parks available for public use (including 85 motorcycle, 2,095 private car and 24 commercial vehicle parking spaces). Since the provision of new parking spaces is contingent on the results of district consultation and progress of individual development projects, the Transport Department ("TD") does not compile specific projection on the supply of parking spaces beyond 2019.

(3) The standards concerning parking spaces as stipulated in the Hong Kong Planning Standards and Guidelines ("HKPSG") aim to provide guidelines for individuals and organizations participating in development projects in respect of the parking requirements for development projects. Such standards apply to parking spaces designated for own use of the development projects only. TD will require the developer of a development project to provide an appropriate number of public parking spaces separately, having regard to the parking needs in the vicinity of the development project and other factors.

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\(^{(1)}\) Ancillary parking spaces for the development projects' own private use are excluded.
As of October 2018, the ratios of the number of licensed private cars (including van-type light goods vehicles) and goods vehicles in Hong Kong and the number of parking spaces available for their use are approximately 1:1.1 and 1:0.65 respectively, meaning that on average there are 1.1 parking spaces for each licensed private car (including van-type light goods vehicles) and 0.65 parking space for each goods vehicle.

As set out in the Chief Executive's 2018 Policy Address, the Government will continue to launch measures to alleviate traffic congestion, including striving to make available parking spaces. The Government will follow the principle of "single site, multiple uses" to provide public car parking spaces in suitable Government, Institution and Community facilities and public open space projects so as to make full use of the sites. In addition, TD is conducting a consultancy study to assess the parking demand of commercial vehicles ("CVs"), and will formulate short, medium and long term measures to address the demand for parking spaces and loading/unloading bays for CVs, including considering the feasibility of revising the respective standards in HKPSG for parking spaces and loading/unloading bays for CVs.

TD has been providing advice on the number of parking spaces to be provided in new development projects and redevelopment projects in various districts (including the Kai Tak Development) in accordance with the standards stipulated in HKPSG. This helps ensure the provision of suitable number of parking spaces in these development projects for their own use in accordance with the standards stipulated in HKPSG. Pursuant to the standards and guidelines set out in HKPSG concerning the provision of parking spaces, the number of parking spaces to be provided for a residential development project is determined on the basis of certain parameters in respect of the project (e.g. flat sizes of the residential development, distance between the residential development and railway stations, and the development density), which, to a certain extent, reflect the demographic characteristics of the residential development. For example, bigger flat sizes of the residential development will
generally mean that the average household size should be larger, and hence the household income and the ratio of private car ownership should be higher. The Government is actively pursuing a number of measures to increase the provision of parking spaces, including requiring developers for new developments to provide parking spaces at the higher end of the range under HKPSG.

(5) The Hong Kong Police Force ("the Police") issue fixed penalty notices ("FPNs") against illegal parking offences in accordance with the Fixed Penalty (Traffic Contraventions) Ordinance (Cap. 237). The number of FPNs issued in 2018 by police region is tabulated at Annex 4. Since 10 July 2017, the Police have stepped up its enforcement operations against illegal parking. As part of the sustained efforts to combat illegal parking in all districts, vehicles causing serious obstruction to traffic flow and danger to other road users will receive FPNs without prior warning. In 2018, the Police issued approximately 2.01 million FPNs against illegal parking in accordance with Cap. 237, an increase of 9% as compared to that in 2017, which reflect the determination and effectiveness of the Police action in combating illegal parking. The Police will take appropriate enforcement actions according to the actual traffic situation on site, manpower resources and the prevailing operational priorities in different districts. Hence, the number of FPNs against illegal parking varied among different police regions.

(6) The Police do not maintain statistics regarding the number of patrols conducted against illegal parking, the number of illegally parked vehicles and the number of FPNs issued on specific road sections.

Apart from stepping up law enforcement by the Police, TD is concerned about the impact of illegal parking on traffic circulation and road safety. TD has put in place feasible traffic management measures in the vicinity of Hing Wah Street, Sham Shui Po and the "Four-Little-Dragon" private housing estates in western Kowloon(2) having regard to specific local circumstances. Examples of such measures include designating "No-stopping Restriction Zone"

(2) Refers to four private housing developments including Banyan Garden, The Pacifica, Aqua Marine and Liberte.
(including the restricted zone at Hing Wah Street West westbound, Sham Shing Road eastbound and Sham Mong Road eastbound from 7:00 am to 12:00 midnight, and a 24-hour restricted zone at Sham Shing Road westbound) to prohibit kerbside loading/unloading activities during specified hours. TD has also imposed yellow boxes at busy road junctions (such as at the junction of Sham Shing Road and Hing Wah Street West) to prevent blockages which cause traffic congestion.

Moreover, TD has implemented a number of measures to address the parking needs in the district. For instance, night-time parking spaces for goods vehicles and coaches have been provided on suitable roads (including Lai Chi Kok Road near Fat Tseung Street and Tan Lai Street). As for parking spaces for motorcycles, TD has been actively exploring the feasibility of providing additional motorcycle parking spaces at suitable places underneath footbridges/flyovers, and one of the places being considered is Tung Chau Street near Fat Tseung Street (underneath the West Kowloon Corridor). TD also endeavours to identify suitable temporary sites for use as temporary public car parks. There are currently three temporary public car parks in the vicinity, including one near Po Lun Street bus depot, one near Lai Po Road/Sham Mong Road and one at the junction of Lai Chi Kok Road/Yuet Lun Street/Tsing Sha Highway.

(7) and (10)

The Police have been closely monitoring illegal parking as well as stopping and waiting of vehicles in all districts, and will take stringent enforcement actions against vehicles causing serious obstruction to traffic flow and posing danger. However, since the Police and TD currently have not defined what constitutes a "black spot" of illegal parking and stopping and waiting of vehicles, no information could be provided on the number of "black spots" of illegal parking and stopping and waiting of vehicles in different districts.

(8) In 2018, the number of FPNs issued by the Police against illegal parking offences under Cap. 237 and those issued against the six
congestion-related offences\(^{(3)}\) under the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240) by month, police region and offence are tabulated at Annex 4 and Annex 5 respectively. The Police do not maintain statistics broken down by District Council districts.

(9) The Police do not maintain statistics regarding the number of patrols conducted against illegal stopping and waiting of vehicles, the number of vehicles illegally stopping and waiting, and the number of FPNs issued on specific road sections.

Apart from stepping up law enforcement by the Police, TD has designated Sham Mong Road outside Harbour Green as "No-stopping Restriction Zone" from 7:00 am to 12:00 midnight to prohibit kerbside loading/unloading activities during the specified hours so as to prevent obstruction to traffic. The section of Larch Street between Tong Mi Road and Fir Street is also designated as Public Light Bus Restricted Zone, prohibiting loading/unloading activities from 7:00 am to 7:00 pm. Moreover, the section of Larch Street between Fir Street and Lime Street is designated as "No-stopping Restriction Zone" from 7:00 am to 7:00 pm to prevent vehicles staying, thereby causing obstruction.

TD has been monitoring traffic conditions in the vicinity of the Hong Kong Shue Yan University. Traffic congestion occurring at this road section was mainly caused by private cars picking up or dropping off students during school peak hours. TD and the Police have met with representatives of nearby schools to discuss traffic conditions in the area and conducted site inspection. During the discussion, TD and the Police suggested that the time at which schools start and finish should be coordinated, and that students should be encouraged to make use of school buses or public transport for commuting. These can help ease the traffic load on

\(^{(3)}\) The six congestion-related offences under the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240) are: (i) Unlawfully entering box junction; (ii) Picking up/setting down passengers in restricted zone; (iii) Loading/unloading goods in restricted zone;(iv) Making 'U' turn causing obstruction; (v) Unauthorized stopping at bus stop, public light bus stand, taxi stand or public light bus stopping place; and (vi) Public bus, public light bus or taxi making stops longer than necessary when picking up/setting down passengers.
the roads because of fewer private cars that carry students to/from schools using the roads at the same time. Furthermore, the Police have, where necessary, deployed officers to direct traffic on site during the time before and after school in order to ease the traffic during school peak hours.

(11) The Government introduced legislative amendments into the Legislative Council in February 2017, proposing to increase the penalty charges for illegal parking offences under Cap. 237 and six congestion-related offences under Cap. 240 by 50% to strengthen the deterrent effect. However, the Legislative Council objected to the increase of penalty charges for illegal parking offences under Cap. 237, and only passed the increase of fixed penalty charges of five congestion-related offences under Cap. 240 by 25% to $400 and $560 respectively. The amendments took effect on 1 June 2018. We will continue to discuss with the Legislative Council and stakeholders to follow up the proposal on increasing the penalty charges of congestion-related offences and strengthening the deterrent effect.

In addition, the Government has been actively examining the application of new technologies to assist frontline officers in taking enforcement actions against traffic contraventions, as well as enhancing enforcement efficiency and strengthening the deterrent effect. The Energizing Kowloon East Office of the Development Bureau has been collaborating with the Police since 2018 to conduct a Proof of Concept Trial on the "Kerbside Loading and Unloading Bay Monitoring System" in Kwun Tong. The Proof of Concept Trial on "Illegal Parking Monitoring System" is also being conducted since November 2018. The systems for the concerned trials are developed by the consultants engaged, in which video analytics technology are used to monitor illegal parking activities. If the systems are proven to be practicable, the Government will consider installing such systems at suitable locations to facilitate the Police to combat illegal parking.

In addition to the trials being conducted by the Energizing Kowloon East Office to demonstrate the potential use of video analytics technology for traffic enforcement purposes, the Police will conduct another trial to explore the implementation of such technologies for
actual enforcement operation by mounting cameras on suitable selected lampposts that provide good vantage points and making use of video analytics technology for certain traffic offences, including illegal stopping of vehicle at a bus stop.

Annex 1

Number of Vehicles First Registered in the Past 10 years^ (with Breakdown by Class of Vehicles)

<table>
<thead>
<tr>
<th>Year</th>
<th>Motorcycles</th>
<th>Motortricycles</th>
<th>Private cars</th>
<th>Taxis</th>
<th>Public buses</th>
<th>Private buses</th>
<th>Public light buses</th>
<th>Private light buses</th>
<th>Light goods vehicles</th>
<th>Medium goods vehicles</th>
<th>Heavy goods vehicles</th>
<th>Special purpose vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2 567</td>
<td>19</td>
<td>28 432</td>
<td>365</td>
<td>511</td>
<td>36</td>
<td>88</td>
<td>126</td>
<td>2 320</td>
<td>887</td>
<td>135</td>
<td>125</td>
</tr>
<tr>
<td>2010</td>
<td>2 683</td>
<td>15</td>
<td>41 240</td>
<td>398</td>
<td>776</td>
<td>29</td>
<td>162</td>
<td>142</td>
<td>3 703</td>
<td>2 409</td>
<td>378</td>
<td>110</td>
</tr>
<tr>
<td>2011</td>
<td>3 135</td>
<td>0</td>
<td>44 569</td>
<td>276</td>
<td>855</td>
<td>31</td>
<td>58</td>
<td>182</td>
<td>4 376</td>
<td>2 455</td>
<td>531</td>
<td>149</td>
</tr>
<tr>
<td>2012</td>
<td>3 593</td>
<td>10</td>
<td>44 983</td>
<td>300</td>
<td>931</td>
<td>96</td>
<td>46</td>
<td>289</td>
<td>4 526</td>
<td>2 136</td>
<td>704</td>
<td>100</td>
</tr>
<tr>
<td>2013</td>
<td>4 337</td>
<td>23</td>
<td>45 382</td>
<td>765</td>
<td>956</td>
<td>57</td>
<td>47</td>
<td>338</td>
<td>5 793</td>
<td>2 777</td>
<td>679</td>
<td>161</td>
</tr>
<tr>
<td>2014</td>
<td>5 081</td>
<td>53</td>
<td>46 636</td>
<td>1 714</td>
<td>1 171</td>
<td>52</td>
<td>92</td>
<td>437</td>
<td>8 297</td>
<td>4 260</td>
<td>714</td>
<td>99</td>
</tr>
<tr>
<td>2015</td>
<td>5 897</td>
<td>136</td>
<td>50 322</td>
<td>2 339</td>
<td>1 614</td>
<td>63</td>
<td>164</td>
<td>404</td>
<td>8 717</td>
<td>4 729</td>
<td>1 021</td>
<td>108</td>
</tr>
<tr>
<td>2016</td>
<td>5 410</td>
<td>134</td>
<td>41 182</td>
<td>1 814</td>
<td>1 644</td>
<td>88</td>
<td>214</td>
<td>323</td>
<td>6 737</td>
<td>3 270</td>
<td>791</td>
<td>173</td>
</tr>
<tr>
<td>2017</td>
<td>5 665</td>
<td>136</td>
<td>43 642</td>
<td>1 944</td>
<td>1 349</td>
<td>70</td>
<td>222</td>
<td>270</td>
<td>6 619</td>
<td>3 267</td>
<td>688</td>
<td>147</td>
</tr>
<tr>
<td>2018</td>
<td>5 140</td>
<td>146</td>
<td>42 287</td>
<td>1 770</td>
<td>1 272</td>
<td>50</td>
<td>496</td>
<td>402</td>
<td>6 377</td>
<td>2 936</td>
<td>552</td>
<td>169</td>
</tr>
</tbody>
</table>

Note:

^ Government vehicles are excluded.

Annex 2

Number of Vehicles Deregistered in the Past 10 years^ (with Breakdown by Class of Vehicles)

<table>
<thead>
<tr>
<th>Year</th>
<th>Motorcycles</th>
<th>Motortricycles</th>
<th>Private cars</th>
<th>Taxis</th>
<th>Public buses</th>
<th>Private buses</th>
<th>Public light buses</th>
<th>Private light buses</th>
<th>Light goods vehicles</th>
<th>Medium goods vehicles</th>
<th>Heavy goods vehicles</th>
<th>Special purpose vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1 713</td>
<td>0</td>
<td>19 909</td>
<td>377</td>
<td>537</td>
<td>39</td>
<td>88</td>
<td>77</td>
<td>4 193</td>
<td>2 589</td>
<td>193</td>
<td>55</td>
</tr>
<tr>
<td>2010</td>
<td>1 863</td>
<td>1</td>
<td>21 776</td>
<td>404</td>
<td>762</td>
<td>28</td>
<td>163</td>
<td>77</td>
<td>3 401</td>
<td>2 308</td>
<td>168</td>
<td>79</td>
</tr>
<tr>
<td>2011</td>
<td>1 728</td>
<td>0</td>
<td>22 476</td>
<td>273</td>
<td>812</td>
<td>27</td>
<td>58</td>
<td>65</td>
<td>2 846</td>
<td>2 116</td>
<td>125</td>
<td>56</td>
</tr>
<tr>
<td>2012</td>
<td>1 570</td>
<td>0</td>
<td>22 225</td>
<td>300</td>
<td>877</td>
<td>39</td>
<td>46</td>
<td>72</td>
<td>2 751</td>
<td>1 858</td>
<td>112</td>
<td>41</td>
</tr>
</tbody>
</table>
Year | Motor cycles | Motor tricycles | Private cars | Taxis | Public buses | Private buses | Public light buses | Private light buses | Light goods vehicles | Medium goods vehicles | Heavy goods vehicles | Special purpose vehicles
---|---|---|---|---|---|---|---|---|---|---|---|---
2013 | 1 617 | 0 | 22 222 | 750 | 802 | 39 | 47 | 49 | 2 619 | 1 385 | 121 | 64
2014 | 1 512 | 6 | 23 061 | 1 706 | 1 145 | 44 | 93 | 218 | 14 044 | 7 636 | 481 | 58
2015 | 1 735 | 4 | 23 612 | 2 438 | 1 552 | 105 | 175 | 383 | 11 785 | 6 286 | 827 | 81
2016 | 1 645 | 1 | 26 287 | 1 751 | 1 578 | 56 | 214 | 290 | 6 921 | 2 988 | 386 | 92
2017 | 1 757 | 3 | 26 502 | 1 941 | 1 278 | 88 | 222 | 299 | 6 120 | 3 378 | 403 | 104
2018 | 1 872 | 1 | 25 317 | 1 789 | 934 | 33 | 496 | 112 | 4 006 | 2 169 | 122 | 81

Note:
^ Government vehicles are excluded.

Annex 3

Number of Public Parking Spaces Provided in Each District in the Past Five Years (as at End-February of the Respective Year)

2018

<table>
<thead>
<tr>
<th>District</th>
<th>Public parking spaces provided by the Government</th>
<th>Parking spaces provided at privately-operated car parks available for public use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central &amp; Western</td>
<td>2 261</td>
<td>15</td>
</tr>
<tr>
<td>Wan Chai</td>
<td>1 324</td>
<td>26</td>
</tr>
<tr>
<td>Eastern</td>
<td>1 657</td>
<td>93</td>
</tr>
<tr>
<td>Southern</td>
<td>1 533</td>
<td>144</td>
</tr>
<tr>
<td>Yau Tsim Mong</td>
<td>2 339</td>
<td>147</td>
</tr>
<tr>
<td>Sham Shui Po</td>
<td>2 301</td>
<td>34</td>
</tr>
<tr>
<td>Kowloon City</td>
<td>2 445</td>
<td>96</td>
</tr>
<tr>
<td>Wong Tai Sin</td>
<td>1 074</td>
<td>19</td>
</tr>
<tr>
<td>Kwun Tong</td>
<td>1 791</td>
<td>42</td>
</tr>
<tr>
<td>Tsuen Wan</td>
<td>1 457</td>
<td>36</td>
</tr>
<tr>
<td>Tuen Mun</td>
<td>1 582</td>
<td>41</td>
</tr>
<tr>
<td>Yuen Long</td>
<td>1 655</td>
<td>107</td>
</tr>
<tr>
<td>North</td>
<td>1 663</td>
<td>32</td>
</tr>
</tbody>
</table>

Note:
^ Government vehicles are excluded.
<table>
<thead>
<tr>
<th>District</th>
<th>Public parking spaces provided by the Government*</th>
<th>Parking spaces provided at privately-operated car parks available for public use*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private cars</td>
<td>Buses</td>
</tr>
<tr>
<td>Tai Po</td>
<td>1 869</td>
<td>82</td>
</tr>
<tr>
<td>Sai Kung</td>
<td>2 174</td>
<td>169</td>
</tr>
<tr>
<td>Sha Tin</td>
<td>2 493</td>
<td>57</td>
</tr>
<tr>
<td>Kwai Tsing</td>
<td>1 433</td>
<td>32</td>
</tr>
<tr>
<td>Islands</td>
<td>492</td>
<td>74</td>
</tr>
</tbody>
</table>

Notes:

* Ancillary parking spaces designated for own private use of the development projects and about 300 parking spaces reserved for special public services (such as refuse collection or post offices' vehicles) are excluded.

# Private car parking spaces that can be used by private cars, taxis, as well as van-type light goods vehicles, light goods vehicles and light buses with such sizes that can be accommodated within such parking spaces.

### 2017

<table>
<thead>
<tr>
<th>District</th>
<th>Public parking spaces provided by the Government*</th>
<th>Parking spaces provided at privately-operated car parks available for public use*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private cars</td>
<td>Buses</td>
</tr>
<tr>
<td>Central &amp; Western</td>
<td>2 821</td>
<td>14</td>
</tr>
<tr>
<td>Wan Chai</td>
<td>1 301</td>
<td>26</td>
</tr>
<tr>
<td>Eastern</td>
<td>1 655</td>
<td>93</td>
</tr>
<tr>
<td>Southern</td>
<td>1 533</td>
<td>144</td>
</tr>
<tr>
<td>Yau Tsim Mong</td>
<td>2 340</td>
<td>147</td>
</tr>
<tr>
<td>Sham Shui Po</td>
<td>2 232</td>
<td>34</td>
</tr>
<tr>
<td>Kowloon City</td>
<td>2 433</td>
<td>96</td>
</tr>
<tr>
<td>Wong Tai Sin</td>
<td>1 074</td>
<td>19</td>
</tr>
<tr>
<td>Kwun Tong</td>
<td>1 705</td>
<td>42</td>
</tr>
<tr>
<td>Tsuen Wan</td>
<td>1 458</td>
<td>36</td>
</tr>
<tr>
<td>Tuen Mun</td>
<td>1 537</td>
<td>41</td>
</tr>
<tr>
<td>Yuen Long</td>
<td>1 483</td>
<td>89</td>
</tr>
<tr>
<td>North</td>
<td>1 662</td>
<td>32</td>
</tr>
</tbody>
</table>
### 2019

<table>
<thead>
<tr>
<th>District</th>
<th>Public parking spaces provided by the Government</th>
<th>Parking spaces provided at privately-operated car parks available for public use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tai Po</td>
<td>1 636</td>
<td>75</td>
</tr>
<tr>
<td>Sai Kung</td>
<td>2 151</td>
<td>165</td>
</tr>
<tr>
<td>Sha Tin</td>
<td>2 177</td>
<td>53</td>
</tr>
<tr>
<td>Kwai Tsing</td>
<td>1 460</td>
<td>30</td>
</tr>
<tr>
<td>Islands</td>
<td>490</td>
<td>74</td>
</tr>
</tbody>
</table>

**Notes:**

* Parking spaces designated for own private use of the development projects and about 300 parking spaces reserved for special public services (such as refuse collection or post offices' vehicles) are excluded.

# Private car parking spaces that can be used by private cars, taxis, as well as van-type light goods vehicles, light goods vehicles and light buses with such sizes that can be accommodated within such parking spaces.

### 2016

<table>
<thead>
<tr>
<th>District</th>
<th>Public parking spaces provided by the Government</th>
<th>Parking spaces provided at privately-operated car parks available for public use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central &amp; Western</td>
<td>2 775</td>
<td>10</td>
</tr>
<tr>
<td>Wan Chai</td>
<td>1 312</td>
<td>26</td>
</tr>
<tr>
<td>Eastern</td>
<td>1 652</td>
<td>85</td>
</tr>
<tr>
<td>Southern</td>
<td>1 508</td>
<td>145</td>
</tr>
<tr>
<td>Yau Tsim Mong</td>
<td>2 329</td>
<td>147</td>
</tr>
<tr>
<td>Sham Shui Po</td>
<td>2 257</td>
<td>34</td>
</tr>
<tr>
<td>Kowloon City</td>
<td>2 663</td>
<td>96</td>
</tr>
<tr>
<td>Wong Tai Sin</td>
<td>1 118</td>
<td>16</td>
</tr>
<tr>
<td>Kwun Tong</td>
<td>1 632</td>
<td>38</td>
</tr>
<tr>
<td>Tsuen Wan</td>
<td>1 420</td>
<td>46</td>
</tr>
<tr>
<td>Tuen Mun</td>
<td>1 539</td>
<td>37</td>
</tr>
<tr>
<td>Yuen Long</td>
<td>1 392</td>
<td>67</td>
</tr>
<tr>
<td>North</td>
<td>1 710</td>
<td>30</td>
</tr>
<tr>
<td>Tai Po</td>
<td>1 643</td>
<td>76</td>
</tr>
</tbody>
</table>
### Public parking spaces provided by the Government*

<table>
<thead>
<tr>
<th>District</th>
<th>Private cars</th>
<th>Buses</th>
<th>Goods vehicles</th>
<th>Motor cycles</th>
<th>Private cars</th>
<th>Buses</th>
<th>Goods vehicles</th>
<th>Motor cycles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sai Kung</td>
<td>2 102</td>
<td>162</td>
<td>325</td>
<td>392</td>
<td>9 380</td>
<td>55</td>
<td>506</td>
<td>375</td>
</tr>
<tr>
<td>Sha Tin</td>
<td>2 049</td>
<td>70</td>
<td>288</td>
<td>458</td>
<td>16 110</td>
<td>40</td>
<td>1 121</td>
<td>200</td>
</tr>
<tr>
<td>Kwai Tsing</td>
<td>1 529</td>
<td>36</td>
<td>319</td>
<td>655</td>
<td>9 697</td>
<td>276</td>
<td>6 552</td>
<td>157</td>
</tr>
<tr>
<td>Islands</td>
<td>448</td>
<td>61</td>
<td>56</td>
<td>124</td>
<td>6 925</td>
<td>0</td>
<td>265</td>
<td>146</td>
</tr>
</tbody>
</table>

Notes:

* Parking spaces designated for own private use of the development projects and about 300 parking spaces reserved for special public services (such as refuse collection or post offices' vehicles) are excluded.

# Private car parking spaces that can be used by private cars, taxis, as well as van-type light goods vehicles, light goods vehicles and light buses with such sizes that can be accommodated within such parking spaces.

### 2015

<table>
<thead>
<tr>
<th>District</th>
<th>Private cars</th>
<th>Buses</th>
<th>Goods vehicles</th>
<th>Motor cycles</th>
<th>Private cars</th>
<th>Buses</th>
<th>Goods vehicles</th>
<th>Motor cycles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central &amp; Western</td>
<td>2 768</td>
<td>10</td>
<td>589</td>
<td>822</td>
<td>8 002</td>
<td>19</td>
<td>347</td>
<td>86</td>
</tr>
<tr>
<td>Wan Chai</td>
<td>1 317</td>
<td>26</td>
<td>6</td>
<td>647</td>
<td>8 541</td>
<td>2</td>
<td>61</td>
<td>23</td>
</tr>
<tr>
<td>Eastern</td>
<td>1 639</td>
<td>54</td>
<td>63</td>
<td>786</td>
<td>11 894</td>
<td>123</td>
<td>614</td>
<td>432</td>
</tr>
<tr>
<td>Southern</td>
<td>1 518</td>
<td>145</td>
<td>65</td>
<td>478</td>
<td>6 658</td>
<td>56</td>
<td>356</td>
<td>154</td>
</tr>
<tr>
<td>Yau Tsim Mong</td>
<td>2 337</td>
<td>147</td>
<td>383</td>
<td>1 300</td>
<td>12 752</td>
<td>39</td>
<td>1 948</td>
<td>196</td>
</tr>
<tr>
<td>Sham Shui Po</td>
<td>2 347</td>
<td>34</td>
<td>1 104</td>
<td>808</td>
<td>8 523</td>
<td>140</td>
<td>1 608</td>
<td>48</td>
</tr>
<tr>
<td>Kowloon City</td>
<td>2 673</td>
<td>96</td>
<td>137</td>
<td>896</td>
<td>7 735</td>
<td>769</td>
<td>1 325</td>
<td>72</td>
</tr>
<tr>
<td>Wong Tai Sin</td>
<td>1 093</td>
<td>16</td>
<td>172</td>
<td>351</td>
<td>5 329</td>
<td>113</td>
<td>265</td>
<td>145</td>
</tr>
<tr>
<td>Kwun Tong</td>
<td>1 588</td>
<td>38</td>
<td>186</td>
<td>672</td>
<td>13 721</td>
<td>44</td>
<td>1 634</td>
<td>322</td>
</tr>
<tr>
<td>Tsuen Wan</td>
<td>1 420</td>
<td>46</td>
<td>43</td>
<td>490</td>
<td>8 783</td>
<td>320</td>
<td>803</td>
<td>61</td>
</tr>
<tr>
<td>Tuen Mun</td>
<td>1 532</td>
<td>45</td>
<td>292</td>
<td>742</td>
<td>8 141</td>
<td>72</td>
<td>1 189</td>
<td>34</td>
</tr>
<tr>
<td>Yuen Long</td>
<td>1 425</td>
<td>67</td>
<td>457</td>
<td>430</td>
<td>8 006</td>
<td>7</td>
<td>438</td>
<td>45</td>
</tr>
<tr>
<td>North</td>
<td>1 710</td>
<td>30</td>
<td>449</td>
<td>345</td>
<td>4 869</td>
<td>0</td>
<td>622</td>
<td>37</td>
</tr>
<tr>
<td>Tai Po</td>
<td>1 643</td>
<td>76</td>
<td>354</td>
<td>235</td>
<td>5 601</td>
<td>79</td>
<td>484</td>
<td>25</td>
</tr>
</tbody>
</table>
### District

<table>
<thead>
<tr>
<th>District</th>
<th>Public parking spaces provided by the Government</th>
<th>Parking spaces provided at privately-operated car parks available for public use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sai Kung</td>
<td>2 102</td>
<td>148</td>
</tr>
<tr>
<td>Sha Tin</td>
<td>2 054</td>
<td>70</td>
</tr>
<tr>
<td>Kwai Tsing</td>
<td>1 486</td>
<td>36</td>
</tr>
<tr>
<td>Islands</td>
<td>439</td>
<td>55</td>
</tr>
</tbody>
</table>

**Notes:**

* Parking spaces designated for own private use of the development projects and about 300 parking spaces reserved for special public services (such as refuse collection or post offices' vehicles) are excluded.

# Private car parking spaces that can be used by private cars, taxis, as well as van-type light goods vehicles, light goods vehicles and light buses with such sizes that can be accommodated within such parking spaces.

### 2014

<table>
<thead>
<tr>
<th>District</th>
<th>Public parking spaces provided by the Government</th>
<th>Parking spaces provided at privately-operated car parks available for public use</th>
</tr>
</thead>
<tbody>
<tr>
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<td>North</td>
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### District Public parking spaces provided by the Government* Parking spaces provided at privately-operated car parks available for public use*

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<th>District</th>
<th>Private cars#</th>
<th>Buses</th>
<th>Goods vehicles</th>
<th>Motor cycles</th>
<th>Private cars#</th>
<th>Buses</th>
<th>Goods vehicles</th>
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Notes:

* Parking spaces designated for own private use of the development projects and about 300 parking spaces reserved for special public services (such as refuse collection or post offices' vehicles) are excluded.

# Private car parking spaces that can be used by private cars, taxis, as well as van-type light goods vehicles, light goods vehicles and light buses with such sizes that can be accommodated within such parking spaces.

---

**Annex 4**

Number of Fixed Penalty Notices Issued by the Police against Illegal Parking Offences under Fixed Penalty (Traffic Contraventions) Ordinance (Cap. 237)

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Note:

* including Lantau Island
Annex 5

Number of Fixed Penalty Notices Issued by the Police against the Six Congestion-related Offences under Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240)

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Note:

* including Lantau Island
Combating acts of racial vilification

21. **MR HOLDEN CHOW** (in Chinese): President, section 45 of the Race Discrimination Ordinance (Cap. 602) ("the Ordinance"), which came into operation in 2008, provides that any act that incites, by any activity in public, hatred towards, serious contempt for, or severe ridicule of a person on the ground of the race of that person, is an unlawful act of racial vilification. Section 46 provides that any act of racist incitement that involves threats of physical harm towards persons of a targeted race or their property constitutes an offence of serious vilification. In this connection, will the Government inform this Council:

(1) of the respective numbers of prosecutions and convictions involving the offence referred to in section 46 since the Ordinance came into operation; whether it has assessed if such figures are on the low side and (if this is the case) the reasons for that;

(2) whether it will compile statistics on the number of claims in tort, since the Ordinance came into operation, which were lodged under civil proceedings in respect of the unlawful acts referred to in section 45; and

(3) whether it will step up law enforcement efforts to combat acts of racial vilification; if so, of the details; if not, the reasons for that?

**SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS** (in Chinese): President, the Government does not tolerate and strongly condemns racist views of any person or organization. In fact, the laws of the HKSAR prohibit racist acts.

After consulting the relevant responsible bureau/department, the consolidated reply to the questions raised by Mr Holden CHOW is as follows:

The Race Discrimination Ordinance (Cap. 602) ("RDO") came into full operation in 2009. Section 46 of RDO makes it a criminal offence for a person, by any activity in public, to intentionally incite hatred towards, serious contempt for, or severe ridicule of, another person or members of a class of persons on the
ground of race, and which involves threatening physical harm or inciting others to threaten physical harm towards another person, or the property or premises of that other person. A person convicted of this offence is punishable by a fine of $100,000 and imprisonment for two years. The Police have not received any report relating to section 46 of RDO since the implementation of RDO in 2009. As at the end of September 2018, no one has been prosecuted under section 46 of RDO.

Section 45 of RDO makes it unlawful for a person, by any activity in public, to incite hatred towards, serious contempt for, or severe ridicule of, another person or members of a class of persons on the ground of race. A victim may bring a civil claim in respect of such unlawful conduct (known as vilification) pursuant to section 70. As a victim may make a civil claim in the Court directly against the wrongdoer, the Government does not normally know about the case unless it is reported by the media or the Government is named as a respondent. The Government also does not hold records on the total number of such claims. We will carefully examine how best to compile the number of such claims in an effective manner. According to the Equal Opportunities Commission ("EOC"), they are not aware of any cases where a person has made a successful claim for racial vilification. In 2011, EOC received an application for legal assistance in relation to a complaint of racial vilification, but the application was not accepted due to insufficient evidence.

In addition to RDO, section 17B(2) of the Public Order Ordinance (Cap. 245) makes it an offence for any person who in any public place behaves in a noisy or disorderly manner, or uses, or distributes or displays any writing containing threatening, abusive or insulting words, with intent to provoke a breach of the peace, or whereby a breach of the peace is likely to be caused. In some situations, such behaviour may also constitute the common law offence of outraging public decency or the offences of obstruction of public places and public nuisance under sections 4(28) and 4A of the Summary Offences Ordinance (Cap. 228).

Relevant government bureau/department and EOC will closely monitor the situation of racial vilification-serious vilification, and review areas for improvement in a timely manner.
Concentrations of ozone in air

22. **MR KENNETH LEUNG** (in Chinese): President, according to a paper of the Environment Bureau, it is forecast that in 2025, the concentrations of ozone ("O₃") in air in most areas of Hong Kong will exceed the relevant level of the Air Quality Objectives ("AQOs") and be higher than the existing level. Under the prevailing AQOs, the number of days on which the maximum daily 8-hour mean concentration of O₃ in air exceeds 160 µg/m³ ("number of exceedances") should not be more that nine per calendar year, whereas the number of exceedance allowed under the guidelines of the World Health Organization ("WHO") is zero. In addition, the findings of a study conducted by the University of Hong Kong has indicated that increasing the numbers of exceedances allowed for air pollutant concentration levels will cause the annual mean concentrations of air pollutants to exceed the WHO's standards, and lead to adverse health effects. In this connection, will the Government inform this Council:

1. of the (i) highest maximum daily 8-hour mean concentration and the number of exceedances in respect of O₃, and (ii) the annual mean and long-term changes of O₃ concentration, as recorded by each air quality monitoring station in Hong Kong in each of the past five years;

2. whether it will tighten the prevailing AQOs in relation to O₃ concentration, and reduce the number of exceedances allowed in respect of O₃ concentration to zero as prescribed in WHO's guidelines, as well as formulate a more stringent emission reduction policy to reduce the concentration of O₃ in air; if so, of the details; if not, the reasons for that;

3. whether it knows the O₃ emission trend as recorded by the Guangdong-Hong Kong-Macao Pearl River Delta Regional Air Quality Monitoring Network in each of the past five years, and the annual mean concentration level of O₃ last year; a list of the air quality monitoring stations of the Network, with the locations of such monitoring stations marked on a map;

4. given that O₃ is formed by the chemical reactions of nitrogen oxides ("NOx") and volatile organic compounds ("VOC") in air under
sunlight, of the respective emissions of NOx and VOC, their major contributors and emission trends in Hong Kong, in each of the past five years:

(5) whether it will expand the existing air quality monitoring network, with a view to monitoring the air quality of Hong Kong more effectively; if so, of the details; if not, the reasons for that; and

(6) of the existing air pollution control measures targeted at O₃, VOC and NOx respectively (including the schemes undertaken solely by the Hong Kong Government and those in collaboration with the Guangdong Provincial Government); whether it has assessed the effectiveness of such measures on a regular basis; if so, of the details?

SECRETARY FOR THE ENVIRONMENT (in Chinese): President, ozone ("O₃") is a complicated regional air pollution problem. It is not directly emitted from pollution sources but formed by chemical reactions amongst various air pollutants in the ambient air. O₃ is mainly formed by photochemical reactions of nitrogen oxides ("NOx") (including nitric oxide ("NO") and nitrogen dioxide ("NO₂")) and volatile organic compounds ("VOC") under sunlight. On the other hand, O₃ can be consumed by having chemical reactions with NO to form NO₂. In recent years, local measures have been implemented to reduce vehicular NOx (comprising mainly NO and some NO₂) emissions, which also led to less O₃ consumption in urban and roadside areas, and hence a rise in O₃ level in these areas. This phenomenon is similar to those experienced by many other cities when tackling their air pollution problems. To reduce our local O₃ concentration, continuous reduction in NOx and VOC emissions in the whole region including Hong Kong is necessary.

My responses to the questions raised by the Legislative Council Member are as follows:

(1) Over the past five years (i.e. 2014 to 2018), the ambient and roadside concentrations of major air pollutants including respirable suspended particulates ("RSP" or PM10), fine suspended particulates ("FSP" or PM2.5), NO₂ and sulphur dioxide ("SO₂") in Hong Kong have dropped by 20% to 45%, indicating the effectiveness of the
emissions reduction measures implemented in recent years. That said, due to relatively high regional background O$_3$ concentrations and reduction in local vehicular emissions of NO, the ambient and roadside O$_3$ concentrations have shown a rising trend for the same period. Figures on the annual highest 8-hour average O$_3$ concentrations, the compliance with the Air Quality Objectives ("AQOs") for O$_3$, and the annual average O$_3$ concentrations at each general and roadside air quality monitoring station ("AQMS") from 2014 to 2018 are set out in Annex 1.

(2) and (6)

Regarding AQO for O$_3$, the "Introduction" chapter of the World Health Organization ("WHO") Air Quality Guidelines ("AQGs") clearly states that the air quality standards set in each country will vary according to specific approaches to balancing risks to health, technological feasibility, economic considerations and other political and social factors.

The WHO AQGs do not provide recommendations on the number of allowable exceedances when formulating the guideline values of the concerned air pollutants (including O$_3$). In view of the fact that air quality may violate the standards owing to uncontrollable circumstances such as extreme weather, Chapter 8 of the WHO AQGs states that when the air quality standards are set to be legally binding, governments could quantify the compliance criteria through establishing the number of allowable exceedances. The WHO AQGs have also quoted the number of allowable exceedances for the 8-hour O$_3$ standard set by the European Union at 25 times per year and the allowable exceedances for the 24-hour NO$_2$ standard set in South Africa at three times per year as examples to illustrate that the numbers of allowable exceedances for different air pollutants concentration limits vary among different places.

Hong Kong's prevailing AQO for 8-hour O$_3$ is set at the IT-1 level of the WHO AQGs, and the number of allowable exceedance is set at nine times per year. We have established a general AQMS in Tap Mun where there is no local air pollution source, with a view to monitoring the regional background air pollution. The annual
concentrations of O₃ recorded at Tap Mun AQMS have been staying at the highest level in the territory over the past years, while the number of exceedances for the maximum 8-hour O₃ concentration has also been the highest amongst AQMSs. This shows that Hong Kong has been affected by regional O₃ pollution, particularly when the regional O₃ concentration rises to high level under enhanced photochemical activities (e.g. due to influence of the subsiding air of a tropical storm resulting in fine and hot weather with light wind) resulting in exceedances of AQO. The predicted air quality modelling results show that the O₃ concentration in Tap Mun in 2025 would be similar to the current level. The implementation of various emission reduction measures will further reduce the emission of NO, leading to less O₃ to be consumed by NO in the urban area. As a result, the air quality modelling results predict that O₃ concentration in the urban areas of Hong Kong will be increased slightly in 2025. Therefore, we consider that, at this stage, there is no room to tighten AQO for O₃ or reduce the number of allowable exceedances.

To tackle the O₃ pollution, the Government is implementing a two-pronged strategy—to reduce the local O₃ precursors (i.e. NOx and VOC) as well as strengthen regional cooperation.

Key measures to reduce local NOx emissions include tightening emissions from power plants, progressively phasing out about 82 000 pre-Euro IV diesel commercial vehicles ("DCVs") by the end of 2019, subsidizing the franchised bus companies to retrofit eligible Euro II and Euro III franchised buses with selective catalytic reduction ("SCR") devices, and tightening the vehicle emission standard to Euro VI in phases, etc. Key measures to reduce VOC emissions include controlling VOC contents of regulated products (e.g. paints, adhesives, sealants, consumer products, printing inks, etc.), tightening emission standards of vehicles and strengthening the emissions control on petrol and liquefied petroleum gas vehicles.

We will continue to pursue new initiatives to reduce NOx and VOC emissions. These include conducting a review on "The Seventh Technical Memorandum for Allocation of Emission Allowances in Respect of Specified Licences" for power plants this year with a
view to further tightening their emissions; preparing to progressively phasing out about 40,000 Euro IV DCVs by the end of 2023, tightening the emission standards for newly registered motorcycles to Euro IV in 2020, tightening the emission standards for light buses to Euro VI in 2021, and fully subsidizing franchised bus companies in conducting trials to retrofit Euro IV and Euro V franchised buses with enhanced SCR systems; as well as reviewing the feasibility to further tightening the VOC limits of regulated architectural paints.

The Hong Kong SAR government has been collaborating with Guangdong authorities to improve the regional air quality. In 2012, the Hong Kong and Guangdong governments set the 2015 emission reduction targets and the 2020 emission reduction ranges for four major air pollutants (including NOx and VOC) in the Pearl River Delta ("PRD") Region. At the end of 2017, both sides confirmed the attainment of emission reduction targets in 2015 and finalized the reduction targets for 2020 (see Annex 2). Both governments have been working hard to push forward the next phase of Guangdong-Hong Kong emission reduction cooperation and have set up a science team to jointly carry out a study on post-2020 air pollutant emission reduction targets and concentration levels for Hong Kong and Guangdong, with a view to formulating a regional emission reduction plan beyond 2020.

Due to the complicated formation and transport mechanism of O₃ and the variety of VOC species and sources, both governments have strengthened scientific studies on O₃ and VOC in order to further understand the O₃ formation in the region and help formulate the effective control measures. Both sides are adding the real time VOC monitoring in the regional air monitoring network in phases and plan to set up a 3-dimensional air pollutant monitoring network by using Light Detection And Ranging (LIDAR) to measure the concentrations of O₃ and suspended particulates at heights, so as to understand their formation and transportation. In 2017, the Environmental Protection Department ("EPD") had also set up a supersite at Cape D'Aguilar to use advance equipment to collect data for scientific study and better understanding of the formation and transport of O₃ and FSP, and help devise policy to tackle the pollution problems.
Figures on the annual average concentrations of O\(_3\) from 2013 to 2017,\(^{(1)}\) site information and spatial distribution of monitoring stations of Guangdong-Hong Kong-Macao PRD Regional Air Quality Monitoring Network are set out in Annex 3. Similar to that in Hong Kong, the O\(_3\) concentrations recorded in the monitoring network showed an upward trend from 2013 to 2017.

EPD compiles the Hong Kong Air Pollutant Emission Inventory every year to analyse the distribution and trends of major air pollution sources in Hong Kong. The emission inventories for 2017 and 2018 are still under preparation. The total emissions\(^{(2)}\) of NOx and VOC from 2012 to 2016 are tabulated in Annex 4.

The emissions of NOx and VOC in 2016 decreased by 20% and 9% respectively, compared with 2012. Vessels, power plants and vehicles were the top three sources of NOx emissions, accounting for 37%, 29% and 18% of total NOx emissions in 2016, respectively, whereas non-combustion sources (such as hair spray and adhesive), vehicles and vessels were the top three sources of VOC emissions, accounting for 58%, 18% and 17% of total VOC emissions, respectively.

EPD operates an air quality monitoring network ("AQM\(N\)"") in Hong Kong with 13 general AQM\(S\)s and 3 roadside AQM\(S\)s. The primary objectives of setting up AQM\(N\) are to collect data for assessing the impact of air pollution on the public, facilitate the formulation of air quality management strategy and evaluate its effectiveness. To achieve these objectives, EPD makes reference to internationally recognized guidelines (such as that of the United States Environmental Protection Agency) in the design of the AQM\(N\) and site selection of the monitoring stations. A stringent quality control and quality assurance system is also in place to ensure the data are highly accurate, reliable, representative and internationally comparable. Factors considered in designing AQM\(N\) include the spatial distribution of AQM\(S\)s in the network,

\(^{(1)}\) 2018 data is under preparation and hence not available.

\(^{(2)}\) Excluding emissions from hill fires.
coverage of existing AQMSs, types of development areas, local population, the distribution of traffic flow and pollution sources, the need to monitor regional air pollution levels, topography and local development plans.

EPD conducts annual review on AQMN based on established mechanisms and international guidelines to confirm the functionality and representativeness of AQMN. Pursuant to the 2015 AQMN review, having considered the uniqueness of their topography and future population and development plans, EPD plans to set up a general AQMS each at North District and Southern District. The construction work for the two stations will start in mid-2019 and the stations are expected to commence trial run at the end of this year or early next year. By then the total number of general AQMSs in Hong Kong would be increased to 15. EPD will conduct regular review to continue to improve AQMN.

Annex 1

Table 1: The annual highest 8-hour average concentration of $O_3$ and the compliance status of AQO for $O_3$ at each AQMS from 2014 to 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018$^{(1)}$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AQMS</strong></td>
<td><strong>Annual highest 8-hour average concentration (μg/cu m), number of exceedance of AQO for $O_3$ in a year (in bracket)/compliance with AQO for $O_3$ (Yes/No)</strong></td>
<td><strong>8-hour concentration limit of AQO for $O_3$ is 160 μg/cu m, number of exceedance allowed in a year: 9)</strong></td>
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<tr>
<td>General</td>
<td>237(8)/Yes</td>
<td>257(10)/No</td>
<td>254(3)/Yes</td>
<td>305(9)/Yes</td>
<td>256(11)/No</td>
</tr>
<tr>
<td>AQMS</td>
<td>230(2)/Yes</td>
<td>249(6)/Yes</td>
<td>226(4)/Yes</td>
<td>270(8)/Yes</td>
<td>254(10)/No</td>
</tr>
<tr>
<td>Eastern</td>
<td>Kwun Tong</td>
<td>207(2)/Yes</td>
<td>164(1)/Yes</td>
<td>155(0)/Yes</td>
<td>176(2)/Yes</td>
</tr>
<tr>
<td>Sham Shui Po</td>
<td>208(2)/Yes</td>
<td>194(3)/Yes</td>
<td>191(2)/Yes</td>
<td>256(3)/Yes</td>
<td>219(5)/Yes</td>
</tr>
</tbody>
</table>
## AQMS

### Year

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018&lt;sup&gt;(1)&lt;/sup&gt;</th>
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<tr>
<td><strong>AQMS</strong></td>
<td>Annual highest 8-hour average concentration (μg/cu m), number of exceedance of AQO for O₃ in a year (in bracket)/compliance with AQO for O₃ (Yes/No)</td>
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<tr>
<td><strong>Kwai Chung</strong></td>
<td>245(1)/Yes</td>
<td>205(1)/Yes</td>
<td>193(1)/Yes</td>
<td>264(4)/Yes</td>
<td>208(1)/Yes</td>
</tr>
<tr>
<td><strong>Tsuen Wan</strong></td>
<td>279(4)/Yes</td>
<td>201(2)/Yes</td>
<td>185(3)/Yes</td>
<td>256(7)/Yes</td>
<td>227(9)/Yes</td>
</tr>
<tr>
<td><strong>Tseung Kwan O&lt;sup&gt;(2)&lt;/sup&gt;</strong></td>
<td>n.a.</td>
<td>n.a.</td>
<td>237(7)/-</td>
<td>260(22)/No</td>
<td>231(15)/No</td>
</tr>
<tr>
<td><strong>Yuen Long</strong></td>
<td>304(13)/No</td>
<td>261(10)/No</td>
<td>269(5)/Yes</td>
<td>272(13)/No</td>
<td>249(10)/No</td>
</tr>
<tr>
<td><strong>Tuen Mun</strong></td>
<td>260(12)/No&lt;sup&gt;*&lt;/sup&gt;</td>
<td>276(16)/No</td>
<td>243(7)/Yes</td>
<td>293(20)/No</td>
<td>263(18)/No</td>
</tr>
<tr>
<td><strong>Tung Chung</strong></td>
<td>278(18)/No</td>
<td>242(19)/No</td>
<td>230(4)/Yes</td>
<td>267(14)/No</td>
<td>222(14)/No</td>
</tr>
<tr>
<td><strong>Tai Po</strong></td>
<td>211(5)/Yes</td>
<td>236(8)/Yes</td>
<td>283(5)/Yes</td>
<td>278(17)/No</td>
<td>230(13)/No</td>
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<tr>
<td><strong>Sha Tin</strong></td>
<td>229(12)/No</td>
<td>257(12)/No</td>
<td>241(2)/Yes</td>
<td>265(14)/No</td>
<td>239(17)/No</td>
</tr>
<tr>
<td><strong>Tap Mun</strong></td>
<td>285(26)/No</td>
<td>255(24)/No&lt;sup&gt;*&lt;/sup&gt;</td>
<td>289(15)/No&lt;sup&gt;*&lt;/sup&gt;</td>
<td>242(37)/No</td>
<td>258(20)/No</td>
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<td><strong>Roadside AQMS</strong></td>
<td><strong>Causeway Bay</strong></td>
<td>127(0)/Yes</td>
<td>97(0)/Yes</td>
<td>112(0)/Yes</td>
<td>90(0)/Yes</td>
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<td><strong>Central</strong></td>
<td>202(1)/Yes</td>
<td>134(0)/Yes</td>
<td>142(0)/Yes</td>
<td>151(0)/Yes</td>
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<td><strong>Mong Kok</strong></td>
<td>113(0)/Yes</td>
<td>121(0)/Yes</td>
<td>103(0)/Yes</td>
<td>156(0)/Yes</td>
</tr>
</tbody>
</table>

### Notes:

1. 2018 data has not been fully validated
2. Tseung Kwan O AQMS commenced operation in March 2016

* denotes valid data is insufficient or data for calculation is not evenly distributed, the value is for reference only

n.a. denotes no available data
Table 2: Annual average concentration (μg/cu m) of O₃ at each AQMS from 2014 to 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
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<th>2016</th>
<th>2017</th>
<th>2018⁽¹⁾</th>
<th>2014 vs 2018</th>
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<td>AQMS</td>
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<tr>
<td>Central and Western</td>
<td>43</td>
<td>45</td>
<td>43</td>
<td>53</td>
<td>53</td>
<td>23%</td>
</tr>
<tr>
<td>Eastern</td>
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<td>46</td>
<td>49</td>
<td>61</td>
<td>60</td>
<td>40%</td>
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<tr>
<td>Kwun Tong</td>
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<td>46</td>
<td>41</td>
<td>48</td>
<td>51</td>
<td>11%</td>
</tr>
<tr>
<td>Sham Shui Po</td>
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<td>36</td>
<td>32</td>
<td>39</td>
<td>44</td>
<td>26%</td>
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<td>Kwai Chung</td>
<td>36</td>
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<td>33</td>
<td>39</td>
<td>41</td>
<td>14%</td>
</tr>
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<td>Tsuen Wan</td>
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<td>35</td>
<td>33</td>
<td>42</td>
<td>45</td>
<td>15%</td>
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<tr>
<td>Tseung Kwan O⁽²⁾</td>
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<td>n.a.</td>
<td>55*</td>
<td>65</td>
<td>65</td>
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<td>Yuen Long</td>
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<td>37</td>
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<td>45</td>
<td>43</td>
<td>5%</td>
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<tr>
<td>Tuen Mun</td>
<td>41*</td>
<td>38</td>
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<td>43</td>
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<td>Tung Chung</td>
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<td>-2%</td>
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<td>Sha Tin</td>
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<td>42</td>
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<td>57</td>
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<td>Tap Mun</td>
<td>72</td>
<td>73*</td>
<td>66*</td>
<td>74</td>
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<td>0%</td>
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<tr>
<td>Roadside</td>
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<td></td>
</tr>
<tr>
<td>Causeway Bay</td>
<td>22</td>
<td>18</td>
<td>16</td>
<td>18</td>
<td>21</td>
<td>-5%</td>
</tr>
<tr>
<td>Central</td>
<td>24</td>
<td>22</td>
<td>22</td>
<td>27</td>
<td>25</td>
<td>4%</td>
</tr>
<tr>
<td>Mong Kok</td>
<td>18</td>
<td>17</td>
<td>18</td>
<td>24</td>
<td>27</td>
<td>50%</td>
</tr>
</tbody>
</table>

Notes:

(1) 2018 data has not been fully validated

(2) Tseung Kwan O AQMS commenced operation in March 2016

* Denotes valid data is insufficient or data for calculation is not evenly distributed, the value is for reference only

n.a. Denotes no available data
Table 1: 2015 and 2020 Emission Reduction Targets for the PRD Region

<table>
<thead>
<tr>
<th>Pollutants</th>
<th>Region(^{(1)})</th>
<th>2015 Emission Reduction Targets(^{(2)})</th>
<th>2020 Emission Reduction Targets(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO(_2)</td>
<td>Hong Kong</td>
<td>-25%</td>
<td>-55%</td>
</tr>
<tr>
<td></td>
<td>PRD Economic Zone</td>
<td>-16%</td>
<td>-28%</td>
</tr>
<tr>
<td>NO(_x)</td>
<td>Hong Kong</td>
<td>-10%</td>
<td>-20%</td>
</tr>
<tr>
<td></td>
<td>PRD Economic Zone</td>
<td>-18%</td>
<td>-25%</td>
</tr>
<tr>
<td>RSP</td>
<td>Hong Kong</td>
<td>-10%</td>
<td>-25%</td>
</tr>
<tr>
<td></td>
<td>PRD Economic Zone</td>
<td>-10%</td>
<td>-17%</td>
</tr>
<tr>
<td>VOC</td>
<td>Hong Kong</td>
<td>-5%</td>
<td>-15%</td>
</tr>
<tr>
<td></td>
<td>PRD Economic Zone</td>
<td>-10%</td>
<td>-20%</td>
</tr>
</tbody>
</table>

Notes:

1. The PRD Economic Zone includes Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Jiangmen, Huizhou and Zhaoqing

2. Reductions are relative to 2010 emission levels

Annex 3

Table 1: Annual average concentration (μg/cu m) of O\(_3\) at each monitoring station in the Guangdong-Hong Kong-Macao PRD Regional Air Quality Monitoring Network from 2013 to 2017 (with reference state of 273K and 101.325 kPa)

<table>
<thead>
<tr>
<th>Monitoring Station</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luhu (Guangzhou)</td>
<td>37</td>
<td>47</td>
<td>38</td>
<td>40</td>
<td>44</td>
</tr>
<tr>
<td>Modiesha (Guangzhou)(^{(1)})</td>
<td>n.a.</td>
<td>-</td>
<td>48</td>
<td>45</td>
<td>47</td>
</tr>
<tr>
<td>Wanqingsha (Guangzhou)</td>
<td>-</td>
<td>-</td>
<td>60</td>
<td>57</td>
<td>63</td>
</tr>
<tr>
<td>Tianhu (Guangzhou)</td>
<td>80</td>
<td>91</td>
<td>85</td>
<td>76</td>
<td>75</td>
</tr>
<tr>
<td>Monitoring Station</td>
<td>Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
<td>2015</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Zhudong (Guangzhou)</td>
<td>n.a.</td>
<td>-</td>
<td>50</td>
<td>55</td>
<td>58</td>
</tr>
<tr>
<td>Liyuan (Shenzhen)</td>
<td>45</td>
<td>41</td>
<td>52</td>
<td>55</td>
<td>62</td>
</tr>
<tr>
<td>Jinjuzui (Foshan)</td>
<td>53</td>
<td>54</td>
<td>50</td>
<td>49</td>
<td>56</td>
</tr>
<tr>
<td>Huijingcheng (Foshan)</td>
<td>40</td>
<td>46</td>
<td>46</td>
<td>39</td>
<td>49</td>
</tr>
<tr>
<td>Tangjia (Zhuhai)</td>
<td>48</td>
<td>54</td>
<td>43</td>
<td>52</td>
<td>63</td>
</tr>
<tr>
<td>Donghu (Jiangmen)</td>
<td>47</td>
<td>48</td>
<td>40</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>Duanfen (Jiangmen)</td>
<td>n.a.</td>
<td>-</td>
<td>55</td>
<td>63</td>
<td>66</td>
</tr>
<tr>
<td>Huaguoshan (Jiangmen)</td>
<td>n.a.</td>
<td>-</td>
<td>44</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>Chengzhong (Zhaoqing)</td>
<td>45</td>
<td>54</td>
<td>54</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Xiapu (Huizhou)</td>
<td>65</td>
<td>62</td>
<td>58</td>
<td>55</td>
<td>61</td>
</tr>
<tr>
<td>Xijiao (Huizhou)</td>
<td>n.a.</td>
<td>-</td>
<td>55</td>
<td>49</td>
<td>59</td>
</tr>
<tr>
<td>Jinguowan (Huizhou)</td>
<td>72</td>
<td>72</td>
<td>69</td>
<td>62</td>
<td>61</td>
</tr>
<tr>
<td>Zhimaling (Zhongshan)</td>
<td>46</td>
<td>45</td>
<td>47</td>
<td>52</td>
<td>62</td>
</tr>
<tr>
<td>Nanchengyuanling (Dongguan)</td>
<td>60</td>
<td>68</td>
<td>59</td>
<td>49</td>
<td>57</td>
</tr>
<tr>
<td>Tap Mun (Hong Kong)</td>
<td>82</td>
<td>78</td>
<td>79</td>
<td>71*</td>
<td>79</td>
</tr>
<tr>
<td>Tsuen Wan (Hong Kong)</td>
<td>36</td>
<td>41</td>
<td>37</td>
<td>35</td>
<td>44</td>
</tr>
<tr>
<td>Yuen Long (Hong Kong)</td>
<td>40*</td>
<td>44*</td>
<td>40</td>
<td>38</td>
<td>48</td>
</tr>
<tr>
<td>Tung Chung (Hong Kong)</td>
<td>48</td>
<td>50</td>
<td>48</td>
<td>43</td>
<td>52</td>
</tr>
<tr>
<td>Taipa Grande (Macao)</td>
<td>n.a.</td>
<td>-</td>
<td>56</td>
<td>49</td>
<td>61</td>
</tr>
<tr>
<td>Network Annual Average</td>
<td>54</td>
<td>57</td>
<td>53</td>
<td>50</td>
<td>58</td>
</tr>
</tbody>
</table>

Notes:

(1) In September 2014, Modiesha and Zhudong in Guangzhou, Duanfen and Huaguoshan in Jiangmen, Xijiao in Huizhou, Yuen Long in Hong Kong and Taipa Grande in Macao were added to "Guangdong-Hong Kong-Macao PRD Regional Air Quality Monitoring Network" ("the Network")

- Denotes data is not available due to insufficient data capture rate

* Denotes data is excluded in calculation of the network annual average owing to insufficient data capture rate or the station had not yet been added to the Network

n.a. Denotes no available data
Table 2: Site information of each monitoring station in the Guangdong-Hong Kong-Macao PRD Regional Air Quality Monitoring Network

<table>
<thead>
<tr>
<th>Monitoring Stations</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luhu (Guangzhou)</td>
<td>Jufong Garden of Luhu Park (Big yard, No. 11 Luhu Park)</td>
</tr>
<tr>
<td>Modiesha (Guangzhou)</td>
<td>Modiesha Street, Haizhu District</td>
</tr>
<tr>
<td>Wanqingsha (Guangzhou)</td>
<td>HKUST Fok Ying Tung Research Institute, Nansha</td>
</tr>
<tr>
<td>Tianhu (Guangzhou)</td>
<td>Tianhu Park, Conghua</td>
</tr>
<tr>
<td>Zhudong (Guangzhou)</td>
<td>Zhudong Village Committee, Chini Town, Huadu District</td>
</tr>
<tr>
<td>Liyuan (Shenzhen)</td>
<td>Shennan Zhong Road, Futian District</td>
</tr>
<tr>
<td>Jinjuzui (Foshan)</td>
<td>Foshan City Communist Party School, Jinjuzui, Shunde District</td>
</tr>
<tr>
<td>Huijingcheng (Foshan)</td>
<td>No. 127, Fenjiang Nan Road, Chancheng District</td>
</tr>
<tr>
<td>Tangjia (Zhuhai)</td>
<td>Qiao Island Mangrove Monitoring Station, Tangjia Town</td>
</tr>
<tr>
<td>Donghu (Jiangmen)</td>
<td>Donghu Park, Jiangmen</td>
</tr>
<tr>
<td>Duanfen (Jiangmen)</td>
<td>Duanfen Middle School, Taishan</td>
</tr>
<tr>
<td>Huaguoshan (Jiangmen)</td>
<td>Huaguoshan, Taoyuan, Heshan</td>
</tr>
<tr>
<td>Chengzhong (Zhaoqing)</td>
<td>No. 63, Zhengdong Road, Duanzhou District</td>
</tr>
<tr>
<td>Xiapu (Huizhou)</td>
<td>No. 4 Xiabuhengjiang Road No. 3, Huicheng District</td>
</tr>
<tr>
<td>Xijiao (Huizhou)</td>
<td>Xijiao Village Committee, Boluo County</td>
</tr>
<tr>
<td>Jinguowan (Huizhou)</td>
<td>Jinguowan Ecological Farm, Huizhou</td>
</tr>
<tr>
<td>Zimingling (Zhongshan)</td>
<td>Zimingling Park, Zhongshan</td>
</tr>
<tr>
<td>Nanchengyuanling (Dongguan)</td>
<td>Nanchengyuanling Community, Dongguan</td>
</tr>
<tr>
<td>Tap Mun (Hong Kong)</td>
<td>Tap Mun Police Station</td>
</tr>
<tr>
<td>Tsuen Wan (Hong Kong)</td>
<td>60 Tai Ho Road, Tsuen Wan</td>
</tr>
<tr>
<td>Yuen Long (Hong Kong)</td>
<td>Yuen Long District Office, 269 Castle Peak Road, Yuen Long</td>
</tr>
<tr>
<td>Tung Chung (Hong Kong)</td>
<td>6 Fu Tung Street, Tung Chung</td>
</tr>
<tr>
<td>Taipa Grande (Macao)</td>
<td>Rampa do Observatorio, Taipa Grande</td>
</tr>
</tbody>
</table>
Figure 1: Spatial distribution of each monitoring station in the Guangdong-Hong Kong-Macao PRD Regional Air Quality Monitoring Network

Annex 4

Table 1: Total emissions of NOx and VOC (excluding hill fires) in Hong Kong from 2012 to 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>NOx (tonnes)</th>
<th>VOC (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>111 390</td>
<td>28 740</td>
</tr>
<tr>
<td>2013</td>
<td>111 830</td>
<td>28 360</td>
</tr>
<tr>
<td>2014</td>
<td>108 050</td>
<td>26 840</td>
</tr>
<tr>
<td>2015</td>
<td>93 020</td>
<td>25 860</td>
</tr>
<tr>
<td>2016</td>
<td>89 640</td>
<td>26 240</td>
</tr>
</tbody>
</table>

Note:

The figures are rounded to the nearest ten.
GOVERNMENT BILLS

Second Reading of Government Bills

Resumption of Second Reading Debate on Government Bill


FINANCIAL REPORTING COUNCIL (AMENDMENT) BILL 2018

Resumption of debate on Second Reading which was moved on 24 January 2018

DEPUTY PRESIDENT (in Cantonese): Mr WONG Ting-kwong, Chairman of the Bills Committee on the Bill, will first address the Council on the Committee's Report.

MR WONG TING-KWONG (in Cantonese): Deputy President, in my capacity as Chairman of the Bills Committee on Financial Reporting Council (Amendment) Bill 2018 ("the Bills Committee"), I now report on the major deliberations of the Bills Committee.

The Financial Reporting Council (Amendment) Bill 2018 ("the Bill") seeks to amend the Financial Reporting Council Ordinance ("FRCO") to enable the Financial Reporting Council ("FRC") to become an independent regulator of auditors of public interest entities ("PIEs"), so that it can regulate auditors of listed entities through recognition, inspection, investigation and disciplinary sanction; and oversee the Hong Kong Institute of Certified Public Accountants' performance of certain functions relating to registered PIE auditors. The Bill also provides for matters such as the new composition and functions of FRC and the levies payable to FRC. The Bills Committee held seven meetings to discuss the Bill with the Administration and receive deputations' views.

Regarding the new composition of FRC, the Bill proposes that the number of members of FRC who are non-practitioners must exceed the number of members who are practitioners. The Bills Committee has noted that different
stakeholders have expressed different views on the ratio of the two types of members. In the process of scrutiny, the Administration indicated that if FRC members include practitioners, the relevant requirements under the Statutory Audit Directive of the European Commission will not be met, and the cooperation between FRC and overseas regulators, particularly regulators in the member states of the European Union ("EU"), will therefore be affected. For this reason, the Administration will propose amendments to require FRC members to be "all non-practitioners". Concurrently, to ensure that there is sufficient expertise on the part of FRC, an amendment is proposed such that the threshold of members with "knowledge and experience in PIE engagements" will increase from "at least 2" as currently provided for in the Bill to "at least one-third" of the total number of members.

The Bills Committee has noted that to ensure the stability of funding support for FRC, and in accordance with the principle of "user pays" and the principle that the independent auditor oversight body should be operationally and financially independent of the Government, the Bill proposes three levies on securities transactions, PIEs and PIE auditors respectively to fund the operation of FRC. Some members have also expressed concern that the levy payable by PIE auditors is on the high side, thus creating a greater cost burden on small and medium-sized audit firms. A member has also pointed out that the securities industry has reservation about imposing levy on securities transactions and he believes that it may adversely affect the competitiveness of the Hong Kong securities market. The Bills Committee has also noted that the estimated operating expenses of FRC will increase from the current some $30 million per year to around $90 million upon implementation of the new regulatory regime. Some members have expressed concern that the substantial increase in the operating expenses of FRC will put certain pressure on the parties concerned in terms of the levies to be payable by them.

Regarding the proposed levy on PIE auditors, the Administration has explained that the levy contribution by PIE auditors will account for 25% of the operating costs of FRC under the new regulatory regime, and this proportion of funding from the audit profession is the same as that for the existing FRC. On the proposal of collecting levy from securities transactions, the Administration has responded that enhancement in the PIE auditor regulatory regime will better ensure the integrity of financial reports of listed companies, thereby increasing protection for investors. Thus, it is reasonable to charge levy on securities transactions for the purpose of sharing 50% of the expenses of FRC.
Regarding the concern about the increase in the operating expenses of FRC, the Administration has indicated that the functions and scope of work of FRC will be substantially expanded under the new regulatory regime, and FRC also has to rent office accommodation, so the relevant budget is reasonable. The Administration has stressed that the Bill already includes various initiatives to monitor the expenses of FRC, and it stipulates that once the reserve of FRC has reached a level equivalent to 24 months of its operating expenses, FRC shall review the rate or amount of the levies and consult the Financial Secretary with a view to recommending to the Chief Executive-in-Council that the levies be reduced.

Various members have advised the Administration to provide seed money for the post-reform FRC to support its operation in the initial years and to subsidize part of the proposed levies payable by the three parties. The Administration has reiterated that the Government should not be a funding source for the operation of FRC, but taking into account the need for the post-reform FRC to be provided with adequate funding in order to prepare for the transition to the new regulatory regime and to discharge its full range of statutory functions, and having considered the views of the Bills Committee and other stakeholders, the Chief Executive announced in the 2018 Policy Address that, after the passage of the Bill, the Government will inject no less than $300 million into the seed capital for FRC.

The proposed new Part 3 of FRCO provides for the registration of local auditors by the Hong Kong Institute of Certified Public Accountants as registered PIE auditors, and the recognition of overseas auditors and certain Mainland auditors by FRC as recognized PIE auditors. The proposed new section 20ZF(2)(c) of FRCO provides that there must be a regulatory cooperation agreement between FRC and the corresponding overseas regulator before FRC may recognize the overseas auditor concerned. During the scrutiny of the Bill, FRC has advised that it has found a number of implementation problems associated with the section, including there being no assurance that overseas auditor regulators will be willing to enter into bilateral cooperation agreements with other jurisdictions and a protracted process of negotiating a bilateral cooperation agreement, thus driving away potential corporations planning to list in Hong Kong. As the proposed new section is unduly restrictive, the Administration will move a relevant amendment to remove the section.
A member is concerned whether deleting the section will affect the entering into of regulatory cooperation agreements by FRC with other overseas regulators. The Administration has advised that overseas regulators will examine the robustness of Hong Kong’s auditor regulatory regime in deciding whether to conclude regulatory cooperation agreements with Hong Kong, and FRC will continue to pursue mutually-agreed regulatory cooperation mechanism with respective overseas regulators as far as possible.

The Bills Committee has noted the audit industry's concern about concentration of powers in the post-reform FRC, for under the new regulatory regime, FRC will be empowered to inspect, investigate and impose disciplinary sanction on PIE auditors. Some deputations have suggested that the Bill should expressly provide for the segregation of FRC's functions and responsibilities concerning inspection, investigation and disciplinary sanction. The Administration has advised that to address the concerns of the audit profession, FRC will put in place a series of administrative arrangements, including ensuring that the executives who have participated in the investigation, inspection or disciplinary process of a case will not take part in making a disciplinary decision of the same case.

The Bill proposes that FRC may order a person who is or was a PIE auditor or a registered responsible person of a registered PIE auditor and has committed a misconduct to pay a pecuniary penalty. The maximum pecuniary penalty is the greater of $10 million, or three times the amount of the profit gained or loss avoided as a result of the misconduct. The proposed new section 37H of FRCO provides that before imposing the penalty, FRC must have published, in the Gazette and in any other manner it considers appropriate, guidelines to indicate the way in which it exercises the power to impose the penalty; and it has had regard to the guidelines.

The Bills Committee has enquired about the details of developing the guidelines. Some members have noted that the accounting profession has expressed concern that the proposed maximum penalty level of $10 million is too high, and a member has urged the Administration to reduce the proposed maximum penalty level of $10 million.

FRC has advised that it is committed to issuing the guidelines as soon as practicable after the passage of the Bill, and it will engage relevant stakeholders when developing the guidelines. One of the major principles FRC will adhere to
in imposing a pecuniary penalty and in determining the level of penalty is whether the amount of pecuniary penalty has the likely effect of putting a practice unit or an individual in financial jeopardy. As regards the suggestion of reducing the proposed maximum penalty level of $10 million, the Administration has advised that there have long been views in the community that the maximum disciplinary pecuniary penalty of $500,000 under the current auditor regulatory regime is too low, such that the disciplinary sanction and the misconduct committed by auditors are not proportionate, thus undermining the effectiveness of disciplinary sanction. The Administration has taken into full consideration the views of various stakeholders in formulating the level of maximum pecuniary penalty, and made reference to the penalties under other Hong Kong financial regulatory regimes and the auditor regulatory regimes of some overseas jurisdictions.

Deputy President, the Bills Committee has noted that Mr Kenneth LEUNG will propose amendments to reduce the proposed maximum penalty level under the Bill from $10 million to $1 million, $5 million, or $8 million, so as to address the concern of small and medium-sized audit firms about their financial burden.

Clause 1 of the Bill provides that the Bill, if passed, will come into operation on 1 August 2019. The Administration has advised that in order to allow more time for FRC to prepare for the implementation of the new regulatory regime, the Administration will propose to amend the commencement date of the Bill to a day to be appointed by the Secretary for Financial Services and the Treasury by a notice published in the Gazette.

Apart from the aforementioned amendments proposed by the Government, the Administration will also move certain technical amendments. The Bills Committee has no objection to the amendments proposed by the Government and will not propose any amendments. The Bills Committee has no objection to the resumption of the Second Reading debate on the Bill.

Deputy President, the following are some of my personal views on the Bill.

Regarding the viewpoints and stances expressed in the Bill, the Bill obviously aims to strengthen the functions of FRC and enable the regulatory regime for auditors of listed companies to be independent of the audit industry, so that Hong Kong can be benchmarked against international practices. This will
help Hong Kong to apply for joining the International Forum of Independent Audit Regulators in the future, promote cooperation between Hong Kong and other jurisdictions in the regulation of auditors, further maintain the status of Hong Kong as an international financial centre, further step up the regulation of auditors of listed companies, and thus be conducive to protecting all investors in Hong Kong. For this reason, the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") and I support and endorse the Bill.

Certainly, the Bill will affect and change the operation and ecology of the accounting profession, and hence during the scrutiny of the Bill, the Bills Committee held in-depth discussions over the Bill, including FRC's level of levies on auditors of listed companies, the composition of FRC, and pecuniary penalties imposed by FRC on auditors of listed companies in respect of misconduct committed. The pecuniary penalty imposed by FRC on misconduct of auditors of listed companies is a key point for discussion at the Bills Committee.

At present, the maximum pecuniary penalty that may be imposed by FRC on misconduct of auditors of listed companies is $500,000. The Bill proposes that the maximum pecuniary penalty that may be imposed by FRC on misconduct of auditors of listed companies should be the greater of $10 million, or three times the amount of the profit gained or loss avoided as a result of the misconduct.

As the Bill proposes to considerably increase the maximum pecuniary penalty that may be imposed by FRC on misconduct of auditors of listed companies, there have been concerns in the accounting profession, particularly among small and medium-sized accounting firms. As a representative of the accounting profession, Mr Kenneth LEUNG has proposed amendments to reduce the maximum penalty from $10 million to $1 million, $5 million or $8 million.

The penalty level proposed under the Bill is indeed a whopping 20 times the existing maximum penalty. Objectively speaking, however, auditors of listed companies play an important role of monitoring listed companies, and if such auditors commit misconduct in performing audits for listed companies, stock investors and the general public may suffer great losses. The existing maximum penalty of $500,000 on misconduct of auditors of listed companies can hardly reflect the severity of the problem.
Furthermore, the maximum penalty of $10 million is not a basic penalty. Unless auditors of listed companies have committed serious misconduct and caused huge losses, the maximum penalty will generally not be imposed. In addition, during the scrutiny period, the Secretary and FRC have both undertaken to publish a set of punishment guidelines before the Bill comes into operation on 1 August this year, or before the commencement date as announced by the authorities. The guidelines will specify that when imposing the penalties, the financial position of the auditors of listed companies that have committed misconduct will be taken into account, so as to ensure that the auditor will not hence go bankrupt or plunge into financial distress.

As such, increasing the maximum penalty to $10 million is not a scourge, but is, to a certain extent, a proper arrangement made in response to social changes. However, I hope that the authorities can communicate with and explain to the accounting profession, so that the accounting profession will not raise the professional liability insurance premiums for auditors of listed companies owing to the substantial increase in the maximum penalty imposed on such auditors following the commencement of the Bill, thus exerting a heavier burden on small and medium-sized auditors of listed companies.

In addition, the Government has proposed two important amendments to the Bill. The first amendment seeks to require all members of FRC to be non-practitioners instead of allowing two FRC members to be practitioners. The second amendment seeks to remove the requirement that FRC must enter into a regulatory cooperation agreement with the relevant non-local regulator before it can recognize the relevant non-local auditor.

Regarding the first amendment, the accounting profession has reservation about the requirement that FRC should no longer have any practitioners, and it is dissatisfied with the amendment of the authorities to further relax the requirement and allow one third of FRC members to be accountants who have not been practising at any time within the previous three years. The profession opines that the three-year cooling-off period is too long, resulting in the persons concern being unable to understand the latest development of the profession. Thus it hopes that the three-year cooling-off period can be reduced to half a year.

I reckon that the Government knows and understands the aspirations of the accounting profession, but it is an international trend to fully detach the regulatory mechanism for auditors of listed companies from the audit industry.
EU, which leads the development of the regulatory mechanism for auditors of listed companies of the world, also strongly demands that members of bodies regulating auditors of listed companies should not include practitioners of the audit profession. As the Bill aims to dovetail with the development trend concerning the regulatory mechanism for auditors of listed companies in the international community, if it does not comply with the demand of EU, it serves no purpose to enact the Bill. For this reason, the audit profession must adapt to the relevant changes.

Regarding the second amendment, as the process of exploring a bilateral agreement on regulating auditors of listed companies between Hong Kong and other jurisdictions will be protracted, the intent of overseas enterprises to get listed in Hong Kong will be affected. The amendment will help Hong Kong attract overseas enterprises to get listed in Hong Kong. If the relevant requirement is removed, when overseas auditors perform audits for overseas enterprises listed in Hong Kong, they must accept the same or similar regulatory arrangement made for auditors of companies listed in Hong Kong, and Hong Kong investors will also be protected.

The Bill and the amendments proposed by the Government have not only complied with global development trends but have also given due regard to Hong Kong's own interests. For this reason, DAB and I will support the Bill and the amendments of the Government, and oppose all the amendments proposed by Mr Kenneth LEUNG. Thank you, Deputy President.

MR KENNETH LEUNG (in Cantonese): Deputy President, thank you, Mr WONG Ting-kwong. Mr WONG mentioned just now that the accounting sector is worried about the Financial Reporting Council (Amendment) Bill 2018 ("the Bill"). We are indeed worried. Certainly, as a Member of the Legislative Council and a Member representing the accounting sector, I am wearing two hats and thus have in actuality two different views of the Bill.

Deputy President, I hope to combine these two different views here today to serve as my voting preference.

I have three unsolvable myths. It is necessary to regulate professionals and auditors, and I also agree to the reform direction of the Bill. The Bills Committee on Financial Reporting Council (Amendment) Bill 2018 has held
seven meetings, but it still fails to reach a relatively complete or satisfying answer. First, there are so many professionals in Hong Kong, including lawyers, doctors, accountants, etc., how come accountants is the only professional subject to an independent oversight body and the body comprises no practitioners of the sector? Doctors are involved in human lives; lawyers' mistakes may easily cause people to be put behind bars or suffer great losses. These professionals serve the public and are involved in matters concerning public interests, yet why should accountants be targeted? Perhaps this is because—Deputy President may also agree—accountants have a better sense of social responsibility or perhaps accountants are kind. Another perspective is that it may be easier to bully accountants.

Regarding the second myth, so far I still cannot figure out why the Financial Reporting Council ("FRC") often has to follow the European Union ("EU") when conducting reforms? Why should our financial and monetary legislation have to tally closely with that of EU? I really do not quite get it. Let us get back to the subject. How many listed companies in Hong Kong will choose Europe in case of secondary listing? On the contrary, many French or Italian companies want to list in Hong Kong which is an active capital market. EU's listing requirements are so harsh that Hong Kong companies often fail to meet them all. Hence, there are actually very few Hong Kong companies seeking to list in EU.

What about the London market? The United Kingdom is leaving EU, but the matter is now dragging on and Brexit is yet to be made. Also, we do not know if the United Kingdom will remain to be a member of EU in future. Hong Kong now follows EU by requiring the governing board of FRC to comprise solely non-practitioners. This is also a myth that I have no clue at all.

Certainly, the position of the Government is that apart from the membership of the governing board of FRC, it does not really want to follow EU in other areas. However, the Government made this change in the summer of 2018. Thus, I think the authorities' consultation on this change is inadequate. I shall expound on this view later. While it is necessary for the authorities to regulate listed companies, and auditors of public interest entities also need to be regulated, yet are the authorities putting the cart before the horse when imposing such a restraint on auditors?
As a matter of fact, if we review the information of some listed companies, can we conclude whether the listed companies in Hong Kong are good in quality or otherwise? Opinions vary on this issue. In 2016, 53 companies on the Main Board were suspended from trading, while 12 were unlisted for various reasons. In 2017, 53 listed companies were suspended from trading for three months or above, while 13 were unlisted; last year (i.e. 2018), 71 listed companies were suspended from trading for three months or above, while 11 were unlisted.

If we look at these figures, we cannot help asking if it is the quantity rather than the quality of listed companies that we are now pursuing. In this regard, the regulatory body and the stock exchange actually have to discharge their principle duties of maintaining the reputation of the market and ensuring the quality of listed companies. If we now ask auditors to bear most of the responsibility of auditing blunders, I think this is very unfair.

Certainly, if there are really professional misconducts, unprofessional behaviours or unethical practices, auditors will definitely be duty-bound. However, the regulatory institution for listed companies must be the foremost gatekeeper to ensure sound operation of the companies. To put it in a common term, auditors are watchdogs instead of hounds. We do not sniff around to find out if some listed companies have done something wrong or improper, and hence bite them. Biting people is not our major task; we merely serve as loyal watchdogs. We auditors know our proper roles and responsibilities.

I support the general direction of the Bill on the whole; but in fact, as Mr WONG also mentioned just now, the regulatory mode adopted in Hong Kong is most stringent when compared to the regulatory regimes of many places, and our penalty mechanism is also very severe. The Bill has already been incubated for almost 10 years. I recall that in the last term, I had a meeting with the Chairman of FRC Ms Sophia KAO right on the very first day I assumed office as a Member of the Legislative Council to discuss this reform. FRC was later chaired by Dr John POON and Dr Kevin WONG is the sitting Chairman. I have discussed the reform of FRC with all the three Chairmen.

As for international development, the International Forum of Independent Audit Regulators ("IFIAR") was in fact founded in 2006 and its current membership has increased to cover 53 jurisdictions. Hong Kong also wishes to become a member of IFIAR after reforming FRC. Surely, I queried is there really a commercial or specific justification to reform FRC?
In my view, reform is necessary but the justifications are not that many. Certainly, as an international financial centre, Hong Kong must benchmark against the international community in respect of our oversight of auditors. However, we do not need to be overaggressive in surpassing the United Kingdom and the United States.

In 2014, based on the overall review of Hong Kong's securities market under the Financial Sector Assessment Programme, the International Monetary Fund ("IMF") recommended that Hong Kong must have an independent authority with responsibility and strong disciplinary mechanism for the oversight of the audit profession. The current reform is also made in response to the IMF's report.

At least two consultations were conducted during the consultation period of the Bill. The earliest one was launched in June 2014 for three months. Certainly, the accounting and auditing professions had provided many opinions on the whole regulatory framework. For instance, why does FCR adopt a unitary model to put the four functions of inspection, investigation, disciplinary hearing and disciplinary sanction under the same regulatory body? I have all along raised queries on this arrangement. According to the former Secretary Prof K C CHAN, this was one kind of regulatory model. Yet, I think such a regulatory model has no division of labour and is not independent. The so-called independence is just putting auditors under the regulation of an independent kingdom.

Now, the authorities is fine-tuning this framework, saying that a "Chinese Wall" is needed so that the person in charge of investigation will not make disciplinary decision. Certainly, this amendment is better than none, yet it is not an ideal framework.

Deputy President, as for the criminal liabilities for auditors, I will propose an amendment later. Nevertheless, I shall first talk about why I think the penalty of $10 million is too high. In addition to criminal liabilities, auditors may also have to bear civil liabilities and no ceiling is set for civil liabilities which may amount to several hundred million or several billion dollars, or even an astronomical amount resulting in the closure of a multinational accounting firm. As I recall, the Enron and WorldCom incidents that happened in 2001 and 2002 had caused the closure of some large and well-established accounting firms. If someone says that the regulatory bodies in many foreign countries have imposed
very stringent punishment on auditors, then I must point out that in certain jurisdictions, limits are set in respect of civil litigation cases, particularly cases involving auditors, and such limits are permitted by law. Auditor may sign a contract with a listed entity to set the limit; this is a practice permitted and enforceable under the law.

Where fine or civil claim—especially fine—is concerned, no statutory fine, be it $500,000, $5 million or $50 million, will be covered by professional indemnity insurance. This is crystal clear. No insurance company will offer a plan that covers this kind of fine.

I know the Chief Executive has undertaken in the Policy Address to provide a seed fund of at least $300 million to FRC. I hope that the final amount of subsidy received by FRC will not be merely $300 million. Given that the wordings used in the Policy Address were "no less than $300 million", I hope the subsidy will be more than $300 million. Besides, I really hope that the Government can undertake that for this seed fund, save a small portion to be used in FRC's infrastructures, most of the fund will be used to offset the levies imposed by FRC on listed entities, listed entities auditors and securities transactions in the first and second years to cover its costs. I hope most of this seed fund will be used to offset the extra burdens of these people. I will examine FRC's operating costs for the first two to three years to see if they have been appropriately and effectively used.

Deputy President, very often if the regulatory body is given excessive financial resources, it will easily take out some meaningless lawsuits and this will cause confusion to regulatees.

As a Member of the Legislative Council, I represent the interests of all people of Hong Kong; yet, I am also wearing another hat to represent the rights and interests of the sector to which I belong. I hope Members will treat this Bill with a very rational attitude. At this stage, I will not oppose the resumption of the Second Reading debate on the Bill.

Deputy President, I so submit.

MRS REGINA IP (in Cantonese): Deputy President, I am a member of the Bills Committee on Financial Reporting Council (Amendment) Bill 2018 ("the Bills Committee"). Although I failed to attend all the meetings due to clashes with
other committees on a number of occasions, I have maintained contacts with the affected persons. The affected persons are not ordinary accountants, but auditors responsible for auditing public interest entities, namely listed companies.

Deputy President, I am a layman, but to my understanding, there are only 48 to 49 such kind of audit firms. Apart from the Big Four, the rest are small and medium-sized companies. As far as I understand it, the Big Four accounting firms have already indicated their support for the Financial Reporting Council (Amendment) Bill 2018 ("the Bill"). The Hong Kong Institute of Certified Public Accountants ("HKICPA") also has not raised objection, and it even welcomed the Government's injection of $300 million into the Financial Reporting Council ("FRC") after the enactment of the Bill. However, small and medium-sized accounting firms had repeatedly sought my assistance and I have therefore relayed their concerns at the Bills Committee meetings, such as levies on the industry. After completion of the scrutiny of the Bill, those small and medium-sized accounting firms approached me again to express their last concern. I thank Mr Andrew WONG, Permanent Secretary of Secretary James LAU for his prompt response and the considerable time devoted to responding to the concerns of the small and medium-sized accounting firms and making comprehensive explanation.

Let me give a concise description of the concerns of the small and medium-sized accounting firms. They sought assistance from me time and again, hoping that the Secretary could make some undertakings. They are concerned about the composition of the post-reform FRC, which will be composed entirely of non-practitioners who have not been a certified public accountant or a partner of any accounting firm within the previous three years. The industry is worried that this might lead to a situation of laymen regulating the professionals. The industry recommended the authorities to adopt the standard of the International Forum of Independent Audit Regulators ("IFIAR") which only requires a majority of FRC members to be non-practitioners. The industry also queried why FRC should be reformed to comprise entirely of non-practitioners. The reason for this change is to meet the requirements of the European Union ("EU"). As explained by Permanent Secretary Andrew WONG, after the amendment of the legislation, Hong Kong will be eligible for joining IFIAR and can then have a say in the enactment of international regulations. Participation in international organizations is very important to Hong Kong.
Furthermore, why should we adopt a higher standard than IFIAR? It is understood that this practice is to meet the request of EU. However, the industry queried why we have to follow the instructions of EU. The Permanent Secretary explained that since EU has 20-odd member states, including large financial centres such as London—the United Kingdom may no longer be a member state of EU after 29 March—and many other financial centres, if Hong Kong fails to meet the EU requirements, it is possible that these member states will not cooperate with us anymore. The industry has expressed understanding to these views.

Besides, the Permanent Secretary also explained that only the governing board of FRC will consist solely of non-practitioners and all frontline staff—this point is very important—that is, personnel responsible for inspection and investigation must be accountants. On the other hand, there are also consultants. I am aware that an Honorary Advisory Panel will be established under FRC, which comprises mostly of accountants and this would enable the industry to feel slightly more at ease.

However, small and medium-sized accounting firms are also very worried about the excessive power of FRC as the powers of inspection, investigation and disciplinary sanction lie solely in its hand. They feel worried about this. The Permanent Secretary explained that FRC's inspection, investigation and disciplinary sanction would be separately responsible by different departments, so as to manifest the aspiration of the industry to have a "Chinese Wall", that is, the separation of powers. He also assured the industry that the governing board of FRC will not participate in the work of inspection and investigation, but will only decide on the disciplinary sanction in light of the investigation results.

During a meeting with the Permanent Secretary, the industry had also expressed concern about the selection of FRC's Chief Executive Officer ("CEO"). As he is a former senior accountant of a large Big Four accounting firm and a member of the governing board, the industry was concerned that he might not have a good understanding of the difficulties faced by small and medium-sized firms and his decisions might be biased. The Permanent Secretary has assured that the CEO will not take part in any decision on disciplinary sanction. Secretary, am I right? I hope that you will make further elucidation later.

In the course of investigation, FRC's governing board may consult the Expert Panel composing of practitioners and consider its professional advice. Most importantly, if the penalized audit firm is not satisfied with FRC's
disciplinary decision, it may apply to an independent review tribunal ("the Tribunal") for a review. If the regulated company is not satisfied with the review result, it may even lodge an appeal directly to the Court of Appeal or extend the time of review taken by the Tribunal. I hope that the Secretary will, in response, clarify whether or not the companies concerned can apply for judicial review. If disciplinary decisions are also subject to judicial review, at what stage should it be lodged? I hope the Secretary can give an explanation.

Furthermore, the industry is also very worried about the maximum pecuniary penalty of $10 million and I am aware that Mr Kenneth LEUNG has proposed amendments in this respect. He also thinks that $10 million is too high and has therefore suggested several amounts as the maximum. According to the small and medium-sized audit firms, they are not Big Four and have less than few millions dollars of liquidity funds. So, if a fine of $10 million is imposed, they will be in great trouble. However, as explained by the Permanent Secretary, it is provided that the maximum pecuniary penalty is the greater of $10 million, or three times the amount of the profit gained or loss avoided as a result of the misconduct. In other words, it refers to the amount of earnings but not the volume of business of a company. Hence, the penalty is not the millions of dollars to be audited for a listed company, but three times the amount of the profit gained by the company; or the greater of three times the amount of the profit gained or loss avoided as a result of the misconduct or $10 million. The most important of all is that the Permanent Secretary has also undertaken that the commencement date of the Bill will be decided by the Secretary, who will appoint a date. The Permanent Secretary has further undertaken that, after the enactment of the Bill, the Secretary will thoroughly discuss the relevant prosecution guidelines with the industry, and the Bill will come into effect only after the consultation has completed and the relevant parties are ready.

The Permanent Secretary has also explained that the maximum penalty level of $500,000 for accounting firms under the Professional Accountants Ordinance cannot be compared with the proposed maximum penalty of $10 million because the size of the listed companies to be audited can be very large. As pointed out by the Permanent Secretary, FRC of the United Kingdom does not impose any limit on the pecuniary penalty level. It had issued six disciplinary orders during the period from 2011 to 2017, and the pecuniary penalties imposed had exceeded the proposed maximum penalty level of $10 million in the Bill. In other words, the maximum penalty level in Hong Kong is not too high. Furthermore, the auditor oversight body of the United
States may also impose a maximum pecuniary penalty of over US$20 million for serious violation committed by an audit firm. Of course, the industry has also pointed out that Singapore's pecuniary penalty level is much lower than that of Hong Kong. However, the Government's response is that the market size of Singapore is in no way comparable to that of Hong Kong as our market size is much bigger.

Therefore, I hope that in response, the Government will undertake to consult the industry on the future prosecution criteria, and negotiate with the industry on the circumstances under which prosecution can be instituted. And, if any company is not satisfied with FRC's disciplinary decision, can it lodge an appeal and what is the procedure for lodging an appeal? If there is such a need, at what stage can judicial review be lodged? How to ensure the effective operation of small and medium-sized accounting firms so as to avoid the business-crippling risk posed by the legislative amendment. I hope that the Secretary will give a clear explanation when he responds later.

While I will support the resumption of the Second Reading of the Bill, I expect that the Secretary will, as far as possible, respond to the concerns of the industry when he speaks later.

**MR CHRISTOPHER CHEUNG** (in Cantonese): Deputy President, fundraising through initial public offerings ("IPOs") in Hong Kong has been very successful in recent years and we are often among the top three. In the past year, we regained the highest world ranking in terms of IPO funds. However, behind all the glamour, we find that the quality of listed companies is varied and the performance of most enterprises has declined right after listing. This has not only incurred losses to shareholders, but has also tarnished Hong Kong's reputation as an international financial centre. Of course, we cannot say that the auditors should be held responsible, but the passage of the Financial Reporting Council (Amendment) Bill 2018 ("the Bill") will certainly heighten vigilance of auditors, so that they will adopt a more cautious and responsible attitude in auditing the accounts of listed companies, thereby ensuring that the financial data of listed companies provided to the investors is accurate.

(THE PRESIDENT resumed the Chair)
Although the Financial Reporting Council ("FRC") has been in operation since 2007, it has all along failed to impose any form of sanction on the problematic auditors in the past decade or so. It has at best referred such cases to the Securities and Futures Commission ("SFC") and other bodies for investigation, or to the Hong Kong Institute of Certified Public Accountants for imposing disciplinary sanctions on its own.

In fact, in recent years, we did notice some unhealthy phenomenon in the market concerning new stocks. The prices of some new stocks nosedived soon after listing and then remained consistently lower than the listing prices, and these so-called "sinking stocks" are not uncommon. This phenomenon will deter investors and dampen their confidence.

Looking back at the performance of new stocks listed in 2018, there were a total of 210 companies listed on the Main Board and the Growth Enterprise Market. As at 28 January, that is, this Monday, 150 companies had their closing prices lower than the listing prices, of which 51 companies had their closing prices fell by 50% compared with the listing prices and 6 companies had even fallen by more than 70%.

Why did the new stocks perform so badly or unsatisfactorily after listing? This surely involves a number of reasons and one of them is, in my opinion, undeniable. Whether an auditor has performed the gate-keeping role for investors and thoroughly audited the account of a listed company with due diligence has much to do with its post-listing performance.

I would like to point out that even if the Bill is passed today, it is not easy to penalize the problematic auditors as the relevant procedures are very complicated with numerous hurdles. For example, the Bill provides that, *inter alia*, FRC should segregate executives taking part in investigation and disciplinary decisions to avoid duplication; the penalty and seriousness of the offence should be proportionate; clear guidelines should be drawn up and subsequently published in the Gazette to set out clearly the circumstances under which a fine would be imposed on the auditor. This is a completely different story from the case of SFC, which is empowered to impose a fine of millions or even tens of millions of dollars on securities dealers at any time under SFO.

Nonetheless, while the penalty proposed in the Bill is, in name, a maximum pecuniary penalty of $10 million, a safeguard has been included at the same time, and that is, the fine imposed shall not constitute any financial difficulties for the
auditors. Compared with the predicament of some small securities dealers mentioned by me earlier, the auditors are much better treated. I hope that SFC will earnestly learn from FRC, so that securities dealers can rest assured and need not worry about business closure as a result of prosecution.

I would like to stress that auditors of listed companies bear a huge responsibility as their work would affect the interests of hundreds of thousands of shareholders and involve benefits of up to billions or even tens of billions of dollars. One of the amendments proposed by Mr Kenneth LEUNG is to revise the maximum limit of pecuniary penalty to $1 million. This mild punishment serves no deterrent effect at all and is tantamount to encouraging the auditors not to attach importance to due diligence and social responsibility, nor to take care of the interests of minority shareholders.

Mr Kenneth LEUNG considered that the maximum pecuniary penalty of $10 million is too high, and thus proposed to change it to $8 million, $5 million and or even less than $1 million. Pecuniary penalty, however, should not be haggled about as what Mr LEUNG has done as if he was in the market. Mr LEUNG always likes to cite the laws of Europe and the United States when discussing other issues, but today he raises doubt about the need to compare against European and American laws. As a matter of fact, he is well aware that there is no ceiling on the penalties in Europe and the United States, and the fines can be as high as hundreds of millions of dollars. Therefore, the maximum pecuniary penalty of $10 million proposed in the Bill is indeed a restrained level when compared with Europe and the United States.

I must point out that I am not suggesting to impose strict control or heavy penalties on auditors once they make some minor mistakes. As the accounts of listed companies are so important, auditors are duty-bound to audit categorically with due diligence. If an auditor accepts the accounts that have been verified by the boss, he will breach his duty of due diligence and this is a serious professional negligence. Therefore, it is important to impose deterrent penalties to remind auditors of the need to exercise caution in order to effectively protect the interests of investors.

Some auditors are worried that they might be exterminated by FRC at any time. As I said earlier, auditors of listed companies are actually well protected by the law. FRC is also not vested with such mighty power as SFC's absolute control over securities dealers, thus accountants who have duly performed their duties need not worry too much.
Another issue is concerned with the levies payable to FRC. After the implementation of the new regulatory regime, FRC's annual operating costs will increase substantially from $30 million to $90 million. This makes it necessary for FRC to collect levies. During the deliberations by the Bills Committee, I had repeatedly expressed my dissatisfaction that members of the public should not bear the greatest responsibility. Companies raise funds by way of listing whereas members of the public make investment on the assumption that the companies' accounts are accurate. Since the accounts have been verified by auditors, investors have no reasons to undertake double insurance. Actually, the responsibility to verify accounts should lie with the listed companies and auditors. Why should investors pay such a large proportion of up to 50% of the levy? It is therefore unreasonable to require listed companies and auditors to pay only the remaining 50% of the levy.

In order to improve the accuracy of the audited accounts of listed companies, boost the confidence of investors and enhance the competitiveness of Hong Kong as an international financial centre, with a view to preventing investors from making erroneous investment decisions based on inaccurate accounts, I strongly support the Bill and hope that other Members will also give support, so that investors can make investment decisions based on clear and reliable accounts.

President, with these remarks, the Business and Professionals Alliance for Hong Kong and I will oppose all the three sets of amendments proposed by Mr Kenneth LEUNG.

MS STARRY LEE (in Cantonese): President, I first declare that I am an employee of one of the Big Four accounting firms. I have never performed audits for any listed entities since I became a Member. After graduating from university, I had successively worked for two of the Big Four accounting firms and a small and medium-sized firm other than the Big Four that performed audits for listed entities. I have personally experienced two different systems and the operation of the Big Four accounting firms. Following the passage of the Financial Reporting Council (Amendment) Bill 2018 ("the Bill"), I am greatly concerned about the actual working conditions of auditors.

I have been listening carefully to the views of Mr Christopher CHEUNG. As an investor in the financial sector, I very much understand that people have trust in auditors' reports. I can share with Members about the work of an
auditor. After entering this industry, I have had opportunities to communicate with auditors. Performing audits for listed entities is indeed a big responsibility. Mr CHEUNG said just now that auditors should have higher vigilance. In fact, I would like to tell Members and the general public that I believe all auditors of listed entities perform audits with a high level of vigilance every day.

Let me tell you about the arduous work of an auditor. When compared with other professions, I think auditing is one of the most arduous occupations. The hardship lies in the excessively long working hours. If Members have any friends who are auditors of listed entities or who have worked with the Big Four accounting firms, they should know that auditors … Citing the famous remarks made by former Member WONG Kwok-hing that Members scrutinized government policies day and night and night and day, I can likewise say that auditors, particularly auditors of listed entities, work day and night and night and day.

I am talking about my experience of performing audits for listed entities some 10 years ago. I lost count of the days which I had to work overnight until early morning when newspapers were being distributed. Such kind of experience was not unique to me; many auditors of listed entities had similar experience. Why do auditors work so arduously? There are certainly many reasons. There are numerous listed companies in Hong Kong. As indicated by Mr Christopher just now, many companies get listed in Hong Kong through initial public offering ("IPO"). Mr Christopher should recall that during the initial stage when red-chip firms or state-owned enterprises came one after another to get listed in Hong Kong, I was working as an auditor for listed entities. Given the different accounting standards between Hong Kong and the Mainland back then, auditors had to spend a lot of time consolidating and verifying accounting figures, so as to ensure that all descriptions and figures in the prospectuses were in compliance with the principle of true and fair, reflecting the fair value of the enterprise.

Let me give a simple example. Some 10 to 20 years ago when we were verifying bank balances, a Mainland red-chip enterprise, being unfamiliar with the mode of operation of Hong Kong or of the international community, attached its bank statements in a brochure. We thus had to spend a lot of time to separate the accounts. These were certainly trivial matters, but I would like to tell every investor and every member of the public that the status of Hong Kong as an international financial centre has not been easy to come by. Hong Kong has
been ranked among the top three for IPO volumes over the years, and it has even topped the global IPO market this year. Auditors play a vital role in this regard. They sweat blood to verify every figure and every word in the prospectus and the auditor's report. In the process, they are serious about complying with all the numerous requirements of the profession.

As such, I am actually upset by the remarks of Mr CHEUNG. Regarding the recent "powder incident" involving penny stock crash referred to by David WEBB, I think all law-breakers must be arrested, but we should not put all the blame for the incident on auditors … Certainly, if auditors have any inadequacies, if they have violated the rules or failed to comply with auditing standards, they should naturally be punished. However, we all understand that auditors face many restraints. As we are not a member of the company and we are only responsible for conducting random checks pursuant to accounting and auditing standards, if the management resorts to deception and is backed by a series of actions taken by the corporation, auditors may really fail to detect in some cases. I believe that Mr CHEUNG has a good understanding of this point.

I must reiterate that auditors conduct random checks pursuant to auditing standards, they cannot possibly verify every figure and every transaction. Apart from conducting random checks, we also examine the relevant figures against various requirements and approaches, so as to attain maximum accuracy. Frankly speaking, if the management or the corporation takes a series of actions to cause deception, including buying and selling shell companies, offering sponsorship, etc., they should really be severely punished. The frequent occurrence of the so-called "powder incidents" has outraged Mr Christopher CHEUNG. The stock prices of some companies have plummeted after listing. I think the regulatory body must handle these incidents seriously, and the management must first be held accountable. If the management plays tricks and some organizations join hands to package the whole incident behind the scene, the ultimate victims will be the investors.

As far as this issue is concerned, I would like to tell Mr Christopher CHEUNG and other Members that auditors share the same objective as Members. We have all along been striving to maintain the status of Hong Kong as a financial centre, and we strive to maintain the accuracy of every financial statement, so as to provide the most accurate information to investors and users of auditors' reports. This is a tremendously difficult process which I can hardly explain to Members in detail.
As for the amendments proposed in the Bill, the profession has undergone different stages since the commencement of consultation. Hong Kong has been a financial centre for years, and we need to benchmark against international standards, otherwise our status as a financial centre will be challenged on various fronts. However, Hong Kong has ranked among the top three for IPO volumes in the world not because we have benchmarked against international standards. Despite the absence of certain regulatory mechanisms, our financial market performed quite well in the past. Certainly we should not be complacent, nor should we refuse to move forward. But we must understand that the profession fared quite well despite the absence of certain regulatory mechanisms. The profession and the entire IPO market have mainly been affected by the reform and opening up as well as the policies of our country. If we hope to maintain the status of Hong Kong as a financial centre, our legislation must also move forward as this is, after all, the international trend. The Bill is generally accepted by the profession and society at large and can meet their expectations.

I will take into account the overall circumstances when scrutinizing any bill. While the Bill is conducive to maintaining the status of Hong Kong as an international financial centre and protecting investors, it has in actuality cause operation hardship to small and medium-sized firms. As a member of the profession for years, I admit that given the increasingly more stringent auditing and accounting standards year after year, accounting firms other than the Big Four have to face tremendous operation difficulties. Apart from the requirements set by the Financial Reporting Council ("FRC"), the international requirements that must be complied with are quite demanding, and with the enactment of the Bill, I can honestly foresee that certain small and medium-sized accounting firms can no longer undertake such kind of work.

I must admit that the Bill has its merits and demerits. The Big Four accounting firms actually have no strong views concerning the penalty of $10 million. To the Big Four, the amount of penalty is not the most important and this is not related to their financial capability. Should there be any problem, reputation is their prime concern as this affect the continuous patronage of their customers. The Big Four accounting firms will conduct stringent screening before accepting assignments given by their customers. As Members will also understand, we must, as I said just now, ensure that the company and its management are trustworthy before accepting any assignments given by them.
However, we must also understand that numerous companies are eager to get listed in Hong Kong. If the Big Four accounting firms consider the assignments unsuitable in respect of prices or mode or practice, such companies will patronize other accounting firms. With the implementation of the new regulatory mechanism, I foresee that small and medium-sized accounting firms will find it increasingly difficult to operate, as in the case of implementing other legal requirements. As fewer and fewer small and medium-sized accounting firms will perform audits for listed entities, the situation of the Big Four or Big Six accounting firms monopolizing the undertaking of such tasks will arise. Whether this situation is good or bad depends on which side of the coin one looks at. As such, we hope that a balance will be struck in the process of scrutinizing the Bill.

Finally, let me talk about the concerns of the profession, particularly small and medium-sized accounting firms. As Mrs IP has just explained in detail, their first concern is the composition of FRC. I hope Members can understand their concern about having non-practitioners as members. As practitioners, we make a lot of judgments, which I think are very technical, in the process of auditing. In some cases, auditors are very worried if FRC is composed of auditors who have no adequate experience and who do not fully understand the actual circumstances of the profession. Out of empathy, I understand their concern.

I have relayed their concern to the authorities, and the authorities have undertaken to increase the number of members with auditing experience to no less than one third of the total number of members. I hope that the Secretary can reassure us in a moment. Since the Government has decided to increase the number of such members to no less than one third of the total number of members, it should at least ensure that one third of the members have adequate auditing experience. I think one or two years of experience are not sufficient, as it takes people with 7, 8 or even 10 years of experience to audit a financial statement. These members have reasonable experience in auditing and can provide continuous training to directors of FRC. As international auditing and accounting standards change on a yearly basis, we must keep learning every year. Therefore, I hope that the Government can make a pledge in this regard, so that the profession can rest assured.
As for the pecuniary penalty, I also understand the concern of the profession, particularly small and medium-sized accounting firms. I will not repeat the arguments of other Members, but I will only express my concern about the amount of penalty. The Government has offered two options, namely $10 million or three times the amount of the profit gained or loss avoided. Frankly speaking, if the latter is selected for determining the amount of penalty, no deterrent effect will possibly be produced. As I had successively worked for two of the Big Four accounting firms and a small and medium-sized accounting firm, I can tell Members that loss is recorded for almost every auditing task if one is to ascertain the profit or loss of a task. The reason is that, as we all know, our working hours are long and our workload is heavy. As such, I think that it is not desirable to determine the amount of penalty in this manner.

In fact, the profession made it clear during the consultation period earlier that the amount of penalty should be based on auditing charges or fees. As a matter of fact, accounting firms vary widely in size and asset value. The fees charged by the Big Four accounting firms may vary greatly owing to the nature of work, size of listed companies and other factors. However, the Government did not ultimately levy the penalty based on the amount of audit fees, but has adopted the existing arrangement. I incline to accept the option of setting the amount of penalty at $10 million. We must admit that since audits for most listed companies are performed by the Big Four or Big Six accounting firms, the amount of penalty should not be too low, and we must also take into account the views of investors and users of financial statements.

I hope that the Secretary will state, at the Committee stage to be conducted later, that the guidelines on imposing a penalty will be drawn after communicating with the profession, as he had claimed at the Bills Committee. I also hope that the Secretary will also tell us how the profession can relay their views, and how the authorities will address their concerns. Later when Mr Kenneth LEUNG speaks on his amendments, I may, if required, further elaborate on the concerns of the profession about the amount of penalty. I hope that the Government will properly address the concerns of small and medium-sized accounting firms at the Committee stage.

President, I so submit.
DR KWOK KA-KI (in Cantonese): President, after the Enron incident (or Eron scandal) in 2001, the international community—including Hong Kong—has to think about how to reform the auditing system for listed companies. The Financial Reporting Council ("FRC") of Hong Kong is not a newly established institution. It was mentioned earlier that FRC was established some 12 or 13 years ago (i.e. in 2006) and the Secretary has yet to join the Government at that time.

I believe the importance of FRC is beyond doubt. Particularly, given that Hong Kong is an international financial centre, it is fully justifiable to impose regulation on overseas and local auditors. Just now, Mr Christopher CHEUNG mentioned the situation of some listed companies. To be candid, many small investors in Hong Kong, i.e. the general public, are merely "snacks" to be devoured by listed companies. Are auditors solely responsible for this phenomenon? I dare not totally concur.

(THE PRESIDENT'S DEPUTY, MS STARRY LEE, took the Chair)

Many economic analysts have said repeatedly that the listing situation of Hong Kong is worrying. Although the Securities and Futures Commission ("SFC") serves as the gatekeeper for listing matters by performing vital vetting and policing functions in respect of listing and stock operation, the gatekeeping role of the Stock Exchange of Hong Kong ("SEHK") is comparatively questionable.

Mr Christopher CHEUNG mentioned that many stocks have "disappeared" or even been suspended from trading after listing for a couple of years, and many of these stocks had been vetted by SEHK. Many people have raised doubts about the listing regime of Hong Kong or the regime of SEHK. In this regard, I have no idea how the Government will respond, and I hope the Secretary will touch upon this issue later in his response. Apart from the current legislative amendment to strengthen FRC's regulation of the professional conduct and practice of auditors of listed companies, the most essential problem is how to avoid the Hong Kong stock market from being described as a big casino. This description is unpleasant to hear. Perhaps you may say that Hong Kong has made great improvements in its regulation of listed companies; however, there are still many stocks, particularly stocks of newly-listed companies, becoming the tools for deceiving small investors.
It is not hard to find that many listed companies in Hong Kong, even Hang Seng Index constituent stocks, have their basic or core businesses not conducted in Hong Kong. As many Mainland enterprises wish to raise funds through financial tactics, Hong Kong has naturally become one of the important platforms for many Mainland enterprises—including state-owned enterprises and private enterprises—to go public. However, to be honest, the capitals of many of the problematic companies come from the Mainland, and they are mostly private enterprises.

Nevertheless, as known to all, the political and economic relations are very special in the Mainland. A lot of private enterprises are backed by officials, including corrupt officials. Thus, it is very difficult to distinguish the relationships between private enterprises and state-owned enterprises. Not only Hong Kong but even the United States and Canada do not know how to position these private enterprises. For instance, we cannot reach a consensus on whether Huawei is a totally private enterprise or an enterprise with heavy features of state-ownership or funding from the state. This is a matter of concern of the financial sector or the general financial system in Hong Kong.

In 2009, FRC and the Mainland regulatory bodies signed a memorandum of understanding on investigation and inspection, under which the conduct of Mainland accounting firms is dealt with in accordance with Mainland laws, i.e. the complaints shall be handled directly by the Ministry of Finance, the China Securities Regulatory Commission ("CSRC") or the agent of FRC. I am perplexed by this arrangement. In my view, some arrangements should be made impartial to all, such as Hong Kong auditors and overseas auditors should all be subject to the same mechanism. However, listed companies with Mainland background or the so-called private enterprises in the Mainland can now enjoy certain privilege, i.e. they are not subject to the investigation conducted by SFC and FRC directly; instead, they are handled via the Ministry of Finance and CSRC of the Mainland. How come Hong Kong auditors are stringently regulated, while overseas auditors, particularly Mainland auditors, are … Honestly, everyone knows that with only a few exceptions, the vast majority of the so-called stocks of overseas enterprises listed in Hong Kong are stocks of Mainland enterprises. Many people, from small investors to securities analysts, indicate that sometimes they really have no idea about how to interpret the figures provided by Mainland enterprises, i.e. to what extent such figures have been "inflated"?
I recall that I have read a report about a Mainland pork company coming to Hong Kong for listing. Hence, a magazine paid a visit to the pig farms of this company in the Mainland, yet not a pig was found. The piggery turned out to be a fake one with just four walls. The financial reports provided for listing were all falsified. The SAR Government is really formidable, it hands over such Mainland companies to the Mainland regulatory bodies, so it simply needs not regulate at all. How should regulation be conducted? There is obviously a conflict of interest. To put it harshly, when such kind of companies have their ways to go public in Hong Kong, they definitely have their ways to make false accounts; probably, there is a huge force behind such companies so that they can pass the oversight in the Mainland. Having such a weak regulation on overseas auditors is a fault on the part of FRC.

Now, the Government proposes to implement very stringent regulation, such as specifying the circumstances under which auditors will be fined $10 million. Yet, such a stringent mechanism turns out to be just a façade. Moreover, I just heard many members of the sector or Members belonging to the sector say that it was useless to knock on the doors of the Big Four or Big Six accounting firms because even if you approach such firms, they will not take up your job easily. Enterprises which intend to go public might not be willing to hire accounting firms that charge low fees, yet they cannot afford to pay expensive fees. At present, the biggest problem is that the proposed regulation will increase the burden of small and medium-sized local audit firms, and indirectly push out the listing cost of local small and medium companies. Frankly speaking, there are probably not many local companies eligible for going public in Hong Kong, coupled with the fact that the market has all along been carved up by different parties, particularly state's organs, the local market of Hong Kong is in fact getting smaller and smaller.

Under such circumstances, if the pecuniary penalty on auditors is increased, will they shift the increment later onto companies intended to go public and thus cause a rise in the listing cost? Nevertheless, we do hope that the financial reports of each and every listed company, both the initial reports at the time of listing or the subsequent reports to be published on an ongoing basis, are based on facts with no deceptive elements. All measures implemented by the Government are for protecting small investors and the general public of Hong Kong. Members of the public should not think that they will not be deceived if they do not invest in stocks. This is because our Government, instead of implementing universal retirement protection, joins hands with insurance
companies, fund houses and banks to profit at our expense. In doing so, it puts our pensions into Mandatory Provident Fund ("MPF") schemes, yet we actually have no say about the amount and choice of companies—including Mainland-capital companies—that fund managers of MPF are going to invest with our money; so just do not think that FRC's matters have no impact on us. Therefore, an even greater mark of failure is that the Government lets go what it ought to regulate, but regulates in the strictest way what it ought to let go.

Under the Financial Reporting Council Ordinance, a one-third practitioner membership has all along been allowed for FRC … I know that at the final stage, the Government said it has to remove practitioner membership in order to comply with the requirement set by the European Union ("EU"). I can surely think of the agony suffered by Mr Kenneth LEUNG and his sector. In fact, there are many things worth learning from EU. For instance, EU's freedom index is very high, and it pursues the rule of law with democratic elections practised in most of its member states. Why does the Government of Hong Kong not learn from these merits? Why does the Government of Hong Kong not learn about universal suffrage as well? The composition of EU … the European Council is composed of members returned through "one person, one vote"; how about the composition of the Legislative Council of Hong Kong? The functional constituencies composed of soldiers to serve "Grandpa". How can the European Council and the Legislative Council be mentioned in the same breath? Furthermore, let us take a look at FRC, whose membership is specified by government officials. To be candid, nowadays government officials are more and more worrisome because "political correctness" are apparent and always mentioned by them. The meaning of political correctness is that certain people—definitely not people on our side but mostly those pro-China key opinion leaders—may hold a seat if they are endorsed by the Government, especially by people in high ranking positions. Conversely, if one is not endorsed by the Government, he may not go further.

The impact is actually far-reaching as gradually people with power and influence are in control. For instance, in FRC, people with power and influence are all on friendly terms with the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region ("LOCPG"), Carrie LAM or the Secretary, and they know how they should react. Moreover, being members of the Election Committee for the selection of the Chief Executive, they will definitely give their votes to Carrie LAM or the person designated by "Grandpa". As such, auditors of small and medium-sized
enterprises have to be very careful. In case they are being assessed, they have to think about if they have offended the bigwigs, i.e. the Secretary or his friends, friends of LOCPG, or friends of Carrie LAM, because these people could be the auditors to be assessed by FRC. This is obviously a practice with Chinese characteristics.

Hong Kong has gradually become … for the time being, Hong Kong people have yet to observe white terror, but white terror is drawing close slowly. We have to understand that in a Chinese society, especially when Hong Kong is gradually developing towards a society with Chinese characteristics, the culture of nepotism and compliance will emerge when FRC assesses auditors in future, and the possession of relevant "background" will easily affect whether audit firms will be eligible, competent and daring enough to take up auditing work in future. In fact, whether an audit firm will take up auditing work in future does not solely depend on the charges as mentioned by the Deputy President just now, but on the information produced by the auditor concerned: first, if the company behind the scene is a private enterprise in the Mainland supported by a certain high-ranking official, then everyone knows what to do. As the saying goes "one can easily become an official if he has some connections in the imperial court", one can be even more at ease if he has some buddies in FRC who are friends of the Government. When the situation becomes like "fishing in a closed pool", the situation that Mr Christopher CHEUNG is most worried about will happen. Since the ordinary public are the ones to receive the least attention, they (including small investors) will continue to be the "snacks" of big enterprises.

Seemingly, FRC can do a lot of things; however, if there are problems with the regime and people responsible for assessment are problematic, then the whole regime will collapse. It is known to all that many laws are stipulated under the Mainland judicial system, such as the environmental protection law, criminal law, etc., but will people in the Mainland trust such laws? It is exactly the case of whether Hong Kong people trust FRC (The buzzer sounded) …

**DEPUTY PRESIDENT** (in Cantonese): Dr KWOK, your speaking time is up.

**DR KWOK KA-KI** (in Cantonese): … I will speak again when we debate the amendments later.
DEPUTY PRESIDENT (in Cantonese): Does any other Member wish to speak?

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): If not, I now call upon the Secretary to reply. Then, the debate will come to a close.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy President, after the introduction of the Financial Reporting Council (Amendment) Bill 2018 ("the Bill") by the Government in January 2018, the Bills Committee of the Financial Reporting Council (Amendment) Bill 2018 has held seven meetings, including one public hearing, to discuss the policy objective and provisions of the Bill in detail. Here, I would like to express my heartfelt thanks to Mr WONG Ting-kwong, Chairman of the Bills Committee, for leading the Bills Committee to complete the scrutiny of the Bill. My thanks also go to members of the Bills Committee and the Secretariat of the Bills Committee and the Legal Adviser for their participation and efforts. I also thank various deputations and individuals for presenting their valuable views to the Bills Committee.

Just now, I also listened carefully to the speeches of the Chairman of the Bills Committee and various Members. I would like to point out that the proposed legislative amendment has struck a balance amongst the views of all parties concerned (including the requirements of international bodies), so as to ensure that Hong Kong as an international financial centre has a regulatory regime for auditors of public interest entities (" PIE auditors") meeting both the international standard and the actual local situation.

At present, the regulatory functions in respect of auditors of listed entities in Hong Kong are mostly discharged by the relevant professional body, i.e. the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Such a self-regulatory regime fails to meet the relevant international standard and practice, i.e. the regulation of auditors of listed entities should be independent of the audit profession and be subject to independent oversight by bodies acting in the public interest. In 2014, the International Monetary Fund ("IMF") examined the regulatory regime for PIE auditors when assessing Hong Kong's securities market. IMF pointed out that the current governance of the disciplinary committee of HKICPA "does not ensure sufficient independence, nor foster the
development of expertise, and precedents, and the range of sanctions is limited", it therefore recommended that the independent oversight authority should be given "strong enforcement power".

The policy objective of the Bill is precisely to reform the regulatory regime for auditors of listed entities to further enhance its independence, so as to strengthen the protection of investors and ensure that the regime meets the international standard and practice. The objective and direction were supported unanimously by the Bills Committee as well as the deputations and individuals who attended the public hearing. We firmly believe that the reform of the regulatory regime for auditors of listed entities can effectively address IMF’s concern, and render Hong Kong eligible to be represented on the International Forum of Independent Audit Regulators ("IFIAR"), thereby promoting the further development of the local audit profession and reinforcing Hong Kong’s status as an international financial centre and a capital market.

During the scrutiny of the Bill, the Government has proposed a number of amendments in response to views raised by members and stakeholders. These amendments sought to deal with certain problems encountered or raised by stakeholders after the introduction of the Bill into the Legislative Council in respect of the regulation of overseas auditors and the calculation basis for the levy on auditors under the new regulatory regime for auditors. The amendments concerned have been agreed by the Bills Committee. I will move these amendments in the committee stage of the whole Council later. The amended Bill not only meets the objective of reform, but also improves individual provisions.

Under the new regime, the Financial Reporting Council ("FRC") will become a full-fledged and independent regulatory body to discharge various statutory functions relating to PIE auditors. As for public interest entities ("PIEs"), they refer to corporations with issued shares or stocks listed in Hong Kong or collective investment schemes with interests listed in Hong Kong. Since its establishment in 2017, FRC has been responsible for conducting independent investigations into possible auditing and reporting irregularities in relation to such PIEs and has accumulated rich experience in the relevant regulatory work.

(THE PRESIDENT resumed the Chair)
The Bill proposes that in addition to discharging the present investigatory function conferred, FRC should be further responsible for the inspection and disciplinary sanction of PIE auditors. These two new functions will be transferred to FRC from HKICPA. Meanwhile, HKICPA will continue to perform its statutory functions of registering, and setting continuing professional development requirements and standards on professional ethics, auditing and assurance for local PIE auditors. Nevertheless, under the new regime, these functions of HKICPA will be performed subject to oversight by FRC. FRC will also be responsible for the recognition of overseas auditors to become PIE auditors under the new regime.

Given IMF’s views on the disciplinary power and the need to provide better protection for investors, the Bill proposes to empower FRC to impose a range of disciplinary sanctions, including revoking or suspending the registration of an auditor involving irregularities, reprimanding the auditor concerned, or prohibiting the auditor concerned from registration for a period of time; and ordering the auditor concerned to pay a pecuniary penalty with the maximum level capped at $10 million or three times the amount of the profit gained or loss avoided, whichever is higher.

We notice that during the deliberation of the Bills Committee, many members and stakeholders have expressed views on the disciplinary power, which included whether the power would be abused and whether the maximum penalty is too high. In fact, similar to other financial regulatory regimes in Hong Kong, the Bill provides for appropriate procedural safeguards to ensure that the principles of fairness and proportionality are followed when FRC exercises its disciplinary powers. For example, the auditor concerned will have ample opportunities to make representations throughout the different stages of disciplinary processes. Moreover, FRC will establish a panel of audit experts who are independent of FRC. If the disciplinary case involves the application of auditing standards, a member of the panel has to provide expert opinions. The Bill will also establish a Review Tribunal that is independent of FRC, so as to allow the auditor in question to seek a review of a decision on disciplinary sanctions. If, following the conclusion of the review, the auditor is still not satisfied with the decision, he may, with leave, appeal to the Court of Appeal.

On the maximum penalty of $10 million, we notice that Mr Kenneth LEUNG has proposed amendments in this regard. I would like to stress that if we want to effectively respond to IMF’s criticism about the current disciplinary
mechanism and the request from members of the public for enhanced protection of investors, the maximum pecuniary penalty must be set at an appropriate level. The Government considers that the maximum penalty of $10 million proposed in the Bill is appropriate and reasonable. The Bill also stipulates that FRC must issue guidelines to indicate the way in which it exercises the power to impose pecuniary penalty, so as to protect the regulated persons. Given the Bills Committee's concern about the guidelines, FRC has submitted a paper to the Bills Committee earlier, stating the principles that it will follow in formulating the guidelines. The Government will ensure that FRC will formulate the guidelines in accordance with such principles. I will respond to Mr LEUNG's amendments in detail later.

Just now, Mrs Regina IP also enquired about the chief executive officer of FRC. FRC will put in place a system, i.e. the so-called Chinese Wall, to ensure that the staff responsible for investigation or inspection (including the chief executive officer) will not be making the sanction decision for the disciplinary case concerned.

During the deliberation of the Bills Committee, many members and stakeholders are also concerned about the post-reform governance structure of FRC. In order to tie in with FRC's becoming a full-fledged and independent regulatory body of PIE auditors, the Bill will adjust the governance structure of FRC. In future FRC will comprise one chairman, one chief executive officer and no less than seven directors. Having considered the views from various sectors, we will propose an amendment to provide that members of FRC shall be "all non-practitioners". On the other hand, in order to ensure there is sufficient expertise in the governing board of FRC, we will propose to make a corresponding change such that the threshold of members with "knowledge and experience in PIE engagements" will increase to "at least one-third" of the total number of members. In this connection, the Government will definitely appoint an appropriate number of members who shall possess ample auditing experience in PIE and meet the requirement of being non-practitioners.

Another subject of concern in the reform is the funding mechanism of FRC in future. In this connection, our considerations include the need to ensure stability of funding support for FRC, compliance with the "user pay" principle and the requirement that the independent auditor oversight body should be operationally and financially independent of the Government. Therefore, we
propose that under the new regime, FRC will be funded by introducing three new levies on securities transactions, PIEs and PIE auditors respectively. Having considered the audit profession’s concern about the financial implications of the new regulatory regime on them, especially on small and medium-sized accounting firms, we propose that contributions from the levies on securities transactions, PIEs and PIE auditors to FRC’s funding shall come in the ratio of 50:25:25. As a whole, we consider this funding mechanism balanced and reasonable.

Since the scope of work of the post-reform FRC will increase by more than three-fold, we anticipate that upon the implementation of the new regime, the annual recurrent expenditure of the post-reform FRC will be around three times of the present expenditure, i.e. $99 million (at 2019 price level). We have already submitted the information on estimated operating expenses to the Bills Committee. We understand that some stakeholders are concerned about the estimated budget of FRC under the new regime. Under the new regime, FRC’s annual budget shall be submitted to the Financial Secretary for approval. Also, FRC shall table its annual financial statements before the Legislative Council.

Furthermore, having considered the views of the members of the Bills Committee and other stakeholders, the Chief Executive announced in the 2018 Policy Address that, after the enactment of the Bill, the Government will inject no less than $300 million into a seed capital to facilitate the FRC’s smooth transition from the existing regulatory regime to the new regime. We will work out the parameters within which the seed capital can be deployed. In response to the proposal from Bills Committee members and other stakeholders (including the proposals just raised by Members in this Chamber), we will also consider making use of part of the seed money to alleviate the burden of the levy payers in the implementation of the new regime.

President, auditors play the role of a key gatekeeper in assuring the integrity and accuracy of the financial reports of listed entities. Given the externally-oriented nature of the financial market of Hong Kong, we must maintain the confidence of both international and local investors in our overall financial regulatory regime with regard to the capital market. For this reason, it is very important to ensure that the auditor regulatory regime is benchmarked against international standards and practices.
The preparation work for the present reform has been carried out for many years, and the Government has all along maintained close communication with various stakeholders. The provisions of the Bill and the Government's amendments have already addressed the concerns of various sectors in respect of legal issues about the new regulatory regime. We thank Mr WONG Ting-kwong, Chairman of the Bills Committee, Ms Regina IP and Ms Starry LEE for reflecting to us that small and medium-sized accounting firms still have some worries about how FRC will exercise its power of imposing pecuniary penalty under the new regulatory regime. In this connection, we undertake to implement the new regulatory regime only after FRC has announced clear guidelines on how it will exercise its power of imposing penalty, and will maintain communication with the sector (including HKICPA and various small, medium and large firms) for expressing their views in the course of formulating the guidelines.

I implore Members to support and pass the Bill as well as the Government's amendments to be raised later, so as to further enhance the regulatory regime and protect investors and public interests. President, I so submit.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Financial Reporting Council (Amendment) Bill 2018 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.


Council became committee of the whole Council.
Consideration by Committee of the Whole Council

CHAIRMAN (in Cantonese): Council now becomes committee of the whole Council to consider the Financial Reporting Council (Amendment) Bill 2018.

Members may refer to the Appendix to the Script for the debate and voting arrangements for the Bill.

FINANCIAL REPORTING COUNCIL (AMENDMENT) BILL 2018

CHAIRMAN (in Cantonese): I will first deal with the clauses with no amendment. I now propose the question to you and that is: That the following clauses stand part of the Bill.

CLERK (in Cantonese): Clauses 2, 3, 5, 6, 8, 10, 12 to 18, 20, 21, 22, 24, 25, 27 to 30, 32, 34 to 47, 49 to 61, 63, 65 to 74, 76, 77, 79 to 84, 86, 88, 89 and 90.

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the clauses read out by the Clerk stand part of the Bill. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)
CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): The committee now deals with the clauses with amendments and a new clause. I now propose the question to you and that is: That the following clauses stand part of the Bill.

CLERK (in Cantonese): Clauses 1, 4, 7, 9, 11, 19, 23, 26, 31, 33, 48, 62, 64, 75, 78, 85 and 87.

CHAIRMAN (in Cantonese): The Secretary for Financial Services and the Treasury will move two groups of amendments as set out in the Appendix to the Script: the first group of amendments seek to amend the clauses just read out by the Clerk; the second group of amendment seeks to add new clause 89A to the Bill. Besides, Mr Kenneth LEUNG will propose three groups of amendments to clause 48.

Members may refer to the Appendix to the Script for details of the amendments.

CHAIRMAN (in Cantonese): Members may now proceed to a joint debate on the original clauses and the amendments (including the new clause).

I will first call upon the Secretary to speak and move his first group of amendments. Then I will call upon Mr Kenneth LEUNG to speak, but he may not move his amendments at this stage.

Upon the conclusion of the joint debate, the committee will first vote on the Secretary's first group of amendments, and then deal with the other amendments according to the arrangements set out in the Appendix to the Script.

Secretary, you may move your first group of amendments.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Chairman, I move that the clauses and the heading read out just now be amended. The amendments are set out in the paper circularized to Members. The Government has proposed such amendments to, following the presentation of the Financial Reporting Council (Amendment) Bill 2018 ("the Bill") to the Legislative Council, address issues identified or brought up by stakeholders concerning the regulation of overseas auditors and the basis for calculating the levy on auditors under the new auditor regulatory regime. In addition, other technical and textual amendments also need to be made to the Bill. Next I will briefly explain the major contents of the amendments.

The Bill provides that under the new regime it will be an offence for an overseas auditor to undertake specified public interest entity ("PIE") engagements without being recognized by the Financial Reporting Council ("FRC") as a PIE auditor. To grant a recognition application, FRC must be satisfied that a number of requirements have been fulfilled. One of the requirements is set out under the proposed new section 20ZF(2)(c), that is, an agreement of mutual or reciprocal cooperation is in force between FRC and the overseas regulatory organization of the relevant overseas auditor.

Recently, in preparing for transition into the new regime, FRC has become aware of the relevant implementation problems. Having researched into recent developments in the international arena and reached out to its overseas counterparts, FRC realized that there is no assurance that overseas auditor regulators are willing or able to enter into bilateral cooperation agreements with other jurisdictions given legal, practical or other considerations in play.

In addition, there will be particular difficulties associated with auditor regulators of the European Union ("EU") member states. When EU member states consider cooperation with a regulator outside EU, including exchange of information for regulatory purposes, the relevant article of the Statutory Audit Directive of the European Commission requires that the regulator concerned shall have been declared "adequate". One of the criteria for meeting this "adequacy" test is that the composition of the governing body of the regulator concerned shall meet the requirement equivalent to that for auditor regulators in EU, that is, it shall be composed of all non-practitioners.
In view of the above, we propose to put forward the following amendments:

(a) To remove the proposed new section 20ZF(2)(c). As explained above, there are practical difficulties for FRC to enter into cooperation agreements with overseas regulators, at least in some of the cases, for reasons beyond FRC's control. Even if there are prospects of reaching an agreement, the process may well be protracted, thus driving away potential corporations planning to list in Hong Kong. For this reason, we propose to delete section 20ZF(2)(c). The deletion of this statutory requirement notwithstanding, we will ask FRC to pursue mutually agreed regulatory cooperation mechanism with respective overseas regulators as far as possible; and

(b) To amend the provisions concerning the composition of the governing body of FRC. The presence of practitioners on the FRC governing board will definitely be a hurdle for seeking cooperation with overseas regulators, particularly with EU member states. Hence, we propose to amend the requirement under the proposed new section 7(3)(a) and stipulate that the governing board shall be composed of "all non-practitioners". Concurrently, to ensure there is sufficient expertise on the FRC governing board, we propose to make a corresponding change to the proposed new section 7(4)(a) such that the threshold of members with "knowledge and experience in PIE engagements" will increase from "at least two" as currently provided for in the Bill to "no less than one-third" of the total number of members.

Under an existing provision of the Bill, the proposed levy on PIE auditors is a flat fee at $12,310 for a calendar year in respect of every PIE client. The Hong Kong Institute of Certified Public Accountants ("HKICPA") has recently informed us that the profession has just reached a broad consensus on an alternative calculation basis to determine the levy on PIE auditors under the new regime. According to this alternative basis, half of the levy will be based on the number of PIE clients and the other half will be based on the relevant audit fees received by PIE auditors. HKICPA considers that this alternative calculation basis will represent a fair and reasonable calculation method reflecting the varying sizes of PIE auditors and complexities of PIE audits under the new regulatory regime.
As such, we propose to amend the formula of calculating the levy on PIE auditors under section 3(1) of the proposed new Schedule 7. The levy on a PIE auditor for a calendar year will be the sum of a flat fee at $6,155 in respect of every PIE client and a fee at 0.147% of the total remuneration received by the PIE auditor for conducting audits for PIE clients in a calendar year.

In view of the latest developments and to allow time and flexibility for FRC to complete the necessary preparatory work, we propose to amend the commencement date of the Financial Reporting Council (Amendment) Ordinance 2019 from 1 August 2019 to a day to be appointed by the Secretary for Financial Services and the Treasury by a notice published in the Gazette.

Finally, we will also propose certain technical, textual or consequential amendments to the Bill. For example, a clerical error in clause 11(3) will be rectified, and "2018 Amending Ordinance" and "2018 Ordinance commencement date" in various clauses will be amended to "2019 Amending Ordinance" and "2019 Ordinance commencement date" respectively.

Chairman, in proposing the amendments, we have carefully considered the views of members and the Legal Adviser of the Bills Committee on Financial Reporting Council (Amendment) Bill 2018 ("the Bills Committee"). The Bills Committee has no objection to all the amendments. With these remarks, I implore Members to support the various amendments.

Proposed amendments

Clause 1 (See Annex I)

Clause 4 (See Annex I)

Clause 7 (See Annex I)

Clause 9 (See Annex I)

Clause 11 (See Annex I)

Clause 19 (See Annex I)

Clause 23 (See Annex I)
Clause 26 (See Annex I)

Clause 31 (See Annex I)

Clause 33 (See Annex I)

Clause 48 (See Annex I)

Clause 62 (See Annex I)

Clause 64 (See Annex I)

Clause 75 (See Annex I)

Clause 78 (See Annex I)

Clause 85 (See Annex I)

Clause 87 (See Annex I)

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the first group of amendments moved by the Secretary for Financial Services and the Treasury be passed.

MR KENNETH LEUNG (in Cantonese): Chairman, first of all, I would like to introduce my amendments. Then, in my next speech, I will express my views on the amendments proposed by the Government.

As Members are aware, I have proposed three groups of amendments with the aim of easing the plight of small and medium-sized ("SME") accounting firms. The plight does not only refer to the increasingly difficult regulatory environment, but also the shrinking room of survival of SME accounting firms caused by rising costs or labour costs. At present, similar to the overseas audit markets, our audit market also has the Big Four accounting firms, two medium and large-sized accounting firms and 44 to 45 medium-sized accounting firms undertaking auditing business for listed entities.
All my three groups of amendments seek to amend the penalties laid down in sections 37D(3)(b)(iv)(A) and 37E(3)(b)(iii)(A) of the Financial Reporting Council (Amendment) Bill 2018 ("the Bill"). I heard the Secretary and a number of colleagues mention that the penalties have certain deterrent effect, and as pointed out in the report published by the International Monetary Fund in 2014, it was important for our penalties to have deterrent effect. However, I do not understand why the Bureau considers that the greater of $10 million, or three times the amount of profit gained or loss avoided as a result of misconduct is a reasonable arrangement. Over the past five years, I have been asking the Government why the maximum limit of pecuniary penalty was set at $10 million.

Let us discuss in depth the relevant arguments. The Government has provided some information on the level of penalties imposed on auditors of public interest entities ("PIE auditors") in other countries or regions to the Bills Committee examining this Bill. First of all, I must stress that PIE auditors are subject to various administrative penalties under the Bill, including revocation or suspension of registration of audit firms, which are indeed very severe punishments. Chairman, let us imagine, for professionals such as accountants, lawyers or doctors, revocation or suspension of registration is a very severe punishment. Of course, the proposed maximum pecuniary penalty seeks to demonstrate to the international community and the European Union that the Financial Reporting Council ("FRC") is not a toothless tiger. Notwithstanding that, the Canadian Public Accountability Board and the Australian Securities and Investments Commission are also regulators performing the same role of monitoring PIE auditors and both are developed economies, but they only impose administrative penalties but not any pecuniary penalties.

Just now I also mentioned Singapore, the regulator is the Accounting and Corporate Regulatory Authority. Apart from administrative penalties, Singapore has also imposed pecuniary penalty of SG$100,000 (that is, approximately HK$600,000). Of course, some friends or the Government may say that the size of Singapore's capital market is far smaller than that of Hong Kong. However, the pecuniary penalties of Singapore and Hong Kong are currently HK$600,000 and HK$10 million respectively, but the size of Singapore's capital market should not be in any way just one-twentieth of Hong Kong's, am I right?

As for the United Kingdom, the Secretary has said time and again that our regulatory regime was originated from the United Kingdom, which nonetheless has no limit on pecuniary penalty. Yet, the Secretary has only mentioned this
fact but not the others. In the United Kingdom, if a listed entity and an auditor are involved in civil proceedings, the errant auditor is not only criminally liable, that is, subject to pecuniary penalties or other administrative sanctions prescribed by the law, investors or the company itself may also claim compensation by seeking civil remedies. Nonetheless, listed entities in the United Kingdom have been allowed, under the Companies Act, to enter into liability limitation agreements with auditors. This is the contract normally signed when an auditor is employed by a listed entity, which provides for the amount of compensation liable to the auditor in case anything goes wrong during the auditing process and in the auditing work.

The amount of pecuniary penalty will depend on the level of sanctions, civil or criminal, that can be borne by this profession under the general environment. Just now, the Secretary has put it nicely that the Government would formulate guidelines to prevent accounting firms from closing down as a result of the mistakes made (especially making mistakes for the first time). However, in times of operation difficulties, the severe punishment of a maximum penalty of $10 million is just like a sword hanging over accounting firms. I once asked those 40-odd SME accounting firms about their cash flow, and some of them told me that their cash flow was only $1 million, some $2 million and some $3 million. I was also told that after the pay day, which falls on the first two days of a month, the cash flow might even drop to below $1 million or $2 million. Hence, I think there is a need to study whether the relevant sanctions can really achieve the effect. Are they intended to render SME accounting firms unable to conduct audit business anymore, or to educate the non-compliant companies or accountants to do their work properly?

With regard to the establishment of a severe punitive system, the pecuniary penalty of $10 million or even several hundred million dollars is actually no big deal to the Big Four accounting firms. But if the same penalty is imposed on those SME firms with a cash flow of only $1 million or $2 million, this may result in oligopoly. By then, only four to five accounting firms will be left behind to take up audit work. This is not acceptable to consumers and investors.

Recently, an issue has been considered by the United Kingdom Financial Reporting Council and discussed by the British Parliament, and that is, only the Big Four accounting firms are now left to conduct audits for listed entities and they are required to rotate every six years. Accounting firms are not only required to give advice, but also to provide taxation and accounting services, and
moreover services will be provided on a rotating basis. Nonetheless, only four accounting firms are available to provide such services. According to a report published by the British Parliament, there is a recommendation to resume the practice adopted 20 years ago by splitting up the Big Four accounting firms into six or even eight firms. Is this oligopolistic trend a healthy development, or will a division be bound to divide after a long period of union? I hope that Members can think about this carefully. In my opinion, choices should be provided by allowing accounting firms of different sizes to provide audit services.

Another fact we must accept is that, as pointed out by Ms Starry LEE just now, the audit work for some large listed entities has been monopolized by the Big Four accounting firms, thus the audit work left involve relatively smaller companies with poor internal control and higher risks. The Big Four accounting firms do not want to take up such audit engagements, or cannot take up the work owing to risk control principles. As a result, such auditing will naturally be taken up by the remaining 40-odd SME accounting firms. While these firms are compelled to undertake the audit work for high-risk clients, the authorities have imposed penalties that would drive the firms out of business. Although the authorities have undertaken to introduce a punitive system and guidelines, I have yet to be informed of the details of the relevant punitive system or guidelines. Although the authorities had reiterated at the Bills Committee meetings that they did not want these accounting firms to close down business or make layoffs, I cannot help but proposed a couple of amendments under such circumstance. Mr Christopher CHEUNG likened them to buying things in the market, and bargaining is precisely what I am trying to do with the authorities.

My proposal to set the maximum pecuniary penalty at $1 million is based on Singapore's pecuniary penalty of $600,000, and is not an arbitrary suggestion. Furthermore, the proposed maximum pecuniary penalty of $5 million is a reduction of the original maximum penalty by half, which is fair enough. As for the proposed penalty of $8 million, it is equivalent to US$1 million and I consider it pretty appropriate. The authorities may say that $10 million is an appropriate amount, but I think it should be $5 million, $1 million or $8 million because we must take into consideration the background, resources and audit requirements of different clients. Of course, our audit standards should not vary with the size of the accounting firms and must be uniform and consistent with the international standards, but the amount of pecuniary penalty is not an international standard, nor is there any international standard.
There is another reason for proposing the amendments which I have all along kept in my heart without voicing it out. I had asked a former official—not the incumbent Secretary for Financial Services and the Treasury—for no less than 10 times why the maximum pecuniary penalty was set at $10 million. He replied that the amount was set for convenience sake because the amount set by insurance companies was $10 million, and the maximum fine imposed by the Securities and Futures Commission on the regulated organizations was also $10 million. I was infuriated. How could they be so lazy and only sought to make things convenient for them? What was the rationale for proposing $10 million? The official could not explain. Why not set the amount to be $100 million? I think this was weird and outrageous. Why didn't they provide more justifications to convince me to accept the proposed $10 million?

Since the officials have failed to convince me at this stage and many friends have expressed their concerns, I have no alternative but propose three groups of amendments and discuss with the authorities one by one, just like people bargaining in the market. I hope that Members from different political parties and groupings present at the meeting will show concern about the room of survival of SME accounting firms in Hong Kong and support my three groups of amendments.

Chairman, I will comment on the amendments proposed by the Secretary again later. I so submit.

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): Mr Kenneth LEUNG, do you wish to speak?

MR KENNETH LEUNG (in Cantonese): Chairman, I am very grateful that the Secretary has proposed a number of amendments to the Financial Reporting Council (Amendment) Bill 2018 ("the Bill"), and the direction of most of them is correct. Nonetheless, I find some of the amendments not very practical or popular and would like to discuss them one by one. However, due to time constraints, I will only focus on three amendments.
The first amendment, which I consider more desirable and can respond to the industry's request, is that the Secretary has deleted clause 1(2) of the Blue Bill: "This Ordinance comes into operation on 1 August 2019" and substituted with "This Ordinance comes into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Gazette." I surely think that this is a good proposal. Why? There are two reasons.

Firstly, although the Financial Reporting Council ("FRC") is not a newly established body, the inclusion of additional functions has given rise to the need for additional staff to, inter alia, carry out more investigation and perhaps find new office accommodation, which is going to take some time. If the commencement date of the Ordinance is set at 1 August, it cannot be changed. Another more important reason is that, as provided in clause 37H(1)(a) of the Bill, if FRC has to exercise the power to impose pecuniary penalty, it should first publish guidelines. In other words, FRC cannot impose pecuniary penalty before publishing the relevant guidelines.

I think that changing the commencement date of the Ordinance will provide great convenience to both the industry and Members' deliberation. While I am pretty sure that the Secretary will consult the industry before FRC publishes the relevant guidelines, I must put on record that after the Financial Services and the Treasury Bureau has finalized the commencement date, I will request for the formation of a subcommittee to study the commencement date. The subcommittee will also examine if the relevant enforcement or punitive guidelines have, as claimed by the Secretary time and again at the meetings, taken into consideration the interests of various parties, and that the sanctions imposed will not undermine the room of survival and operation of small and medium-sized enterprises. I am determined to take this action, but still, I consider this a positive change.

The second change, which many colleagues have also touched on just now, is the composition of FRC. I recalled that between June and July 2018, we had discussed the proposed change on a number of occasions. And yet, the discussions were only conducted among the Hong Kong Institute of Certified Public Accountants, the Secretary and I, or during some semi-open meetings attended by members of the industry. In my opinion, this is a pivotal change that will cause fundamental changes to the composition of FRC, so why didn't the authorities spend more time on conducting large-scale public discussions or consultations, but discussed the issue in summer—I stress that it was between
June and July back then—during which we had not only conducted seven Bills Committee meetings, but also some closed and semi-closed meetings as well as three to four semi-closed or public discussions. One of the important issues being discussed was the proposed change of FRC's composition from one-third non-practitioners to presently all non-practitioners.

Although a few other minor adjustments have been made, for example, requiring one-third of all FRC members to possess knowledge of or experience in public interest entity ("PIE") engagements so that FRC will have sufficient professional knowledge to make decisions and engage experts to provide professional advice on individual cases, such changes are rather awkward. According to the authorities, the changes complied with the requirements of the European Union ("EU"), and we are obliged to do as instructed by EU and cannot rebuke. I had been under the strong influence of EU's financial officials, who are only civil servants of EU rather than elected representatives, and supported the amendments of the laws of Hong Kong. Many laws related to finance and universal anti-money laundering had been amended at the request of EU or the Organization for Economic Corporation and Development. Sometimes the requests for legislative amendments were very urgent and the amendment had to be completed within a few months.

I think that the changes proposed by the Government in respect of FRC's composition are not adequately conducted and the procedures have not been fully complied with. I am thus very dissatisfied. Nonetheless, we have no choice but to accept these changes because if FRC's composition remains unchanged, then even if the Bill is passed, the International Forum of Independent Audit Regulators will not accept Hong Kong as its member. If the Government had done more properly in terms of the procedure and provided more detailed explanation, SMEs or Honourable colleagues of this Council might find it easier to accept the changes.

I support the third change which, to be fair, is a consensus reached after many rounds of discussion and is not easy to come by. It is concerned with the levy payable by PIE auditors. There is no doubt that the considerations of large firms and small and medium-sized firms are different. If the levy payable by a firm is determined by the number of PIE engagements, it is possible that the fees received by a SME firm for 10 PIE engagements are lower than that charged by a large firm for conducting audit for one multinational PIE. Of course, if the levy payable is determined purely on the basis of the percentage of fees charged by a firm, large firms will likewise consider it unfair.
I am very glad that after much verification or deliberation, a consensus has been reached on the present formula. According to this formula, the levy payable by a PIE auditor is divided into two parts. The first part is the number of PIE engagements carried out by the PIE auditor, and using $90 million as the standard, the levy payable is $6,155. This is the first part of the levy. The second part is the remuneration received by the PIE auditor for conducting a specified engagement for a PIE (for example, the remuneration received for conducting audit for 10 listed companies was $1 million last year) multiplied by a percentage, which is now tentatively set as 0.147% according to the budget of FRC.

To be honest, this formula has only been accepted by large and SME firms with reluctance and they are not very satisfied with it. Yet, after all, this is the decision made by Members after numerous discussions and is acceptable to me as well. What is more, I have carried out mediation work in the course of discussions.

All in all, I have been working on this Bill for more than seven years since my first day in office, and I think it is now the right time for the Bill to go through its Second and Third readings. However, I also hope that when Honourable colleagues strive to ensure that Hong Kong benchmarks against the international financial institutions and global regulatory frameworks, they will not forget that our SMEs and SME audit firms have made great contributions to the economy of Hong Kong. Their survival is therefore essential and also necessary.

Chairman, I so submit.

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): If not, I now call upon Mr Kenneth LEUNG and the Secretary to speak again. Then, the debate will come to a close.

CHAIRMAN (in Cantonese): Mr Kenneth LEUNG, do you wish to speak again?
MR KENNETH LEUNG (in Cantonese): Chairman, please allow me to say a few more words on what I feel being an auditor and why Members should support my three groups of amendments. Many Members asked the following question when the Financial Reporting Council (Amendment) Bill 2018 ("the Bill") resumed its Second Reading debate just now or on other occasions: Should auditors are obliged to ensure that the stock prices and performance of listed companies are maintained at a certain level?

As Ms Starry LEE said earlier on, auditing requires due diligence and compliance with a lot of ethical requirements and auditing standards. There is no doubt about the long working hours of this profession, and I can say that it is common to work around the clock for three to four days. I once conducted auditing for a multinational listed bank (which has branches in more than 40 countries), and our team of more than 40 members had to rent hotel rooms near the bank’s back office and worked for three months in a row without going home. And yet, this happened in London. In Hong Kong, auditors are required to work late into the night, but since Hong Kong is a tiny place, there is no reason why they cannot go home.

I would like to tell Members that auditor is a very difficult profession because many different auditing standards are set year after year, and the emergence of different accounting standards has highlighted the need for continuing studies. Also, I hope that auditors will have the room for survival so that this profession can continue to contribute to Hong Kong, a diversified international financial city. I implore Members to support this Bill, and at the same time take heed of the interests of small and medium-sized accounting firms.

I so submit.

CHAIRMAN (in Cantonese): Secretary, do you wish to speak again?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Chairman, Mr Kenneth LEUNG's amendments propose to reduce the maximum limit of disciplinary pecuniary penalty imposed by the Financial Reporting Council ("FRC") under the new regime from $10 million to $1 million, $5 million or $8 million. The Government opposes these amendments.
Under the current system, the Professional Accountants Ordinance (Cap. 50) provides that the maximum disciplinary pecuniary penalty is $500,000. There have long been views in the community that this pecuniary penalty is not sufficient to ensure a proportionate disciplinary sanction for misconduct committed by auditors, thus undermining the effectiveness of disciplinary sanction. As I pointed out in my speech given during the Second Reading debate, after the International Monetary Fund assessed Hong Kong's securities market and examined the regulatory regime of auditors of public interest entities ("PIEs") in 2014, it also criticized the situation as it considered that the sanctions under Hong Kong's current auditor regulatory regime were very limited. It thus recommended that the future independent auditor oversight body should be given strong enforcement power and the level of pecuniary penalty should reflect the severity of the non-compliance. In addition, it has also been pointed out that many stock market investors have to rely on the financial reports of listed companies to make investment decisions. Therefore, it is necessary for Hong Kong to step up the protection for investors, especially small investors, in this respect. Based on the above reasons, the disciplinary mechanism under the new regime should be strengthened to provide better protection for investors. Our current proposals, which include raising the maximum limit of disciplinary pecuniary penalty, have fully considered and balanced the opinions of various parties.

The maximum limit of pecuniary penalty proposed in the Financial Reporting Council (Amendment) Bill 2018 ("the Bill") must be set at an appropriate level to achieve the effect of preventing misconduct. On the other hand, the Bill also provides that FRC has to issue guidelines to set out the way in which it exercises the power to order PIE auditors to pay the penalty. To sum up, in determining the pecuniary penalty actually imposed in each case, FRC must take into consideration the principles of fairness and proportionality. The guidelines will cover the various considerations of FRC, for example, in determining the amount of penalty, consideration must be given to the financial position of the relevant firms or persons in order not to put them in financial jeopardy. In view of the Bills Committee's concern about the guidelines, FRC has submitted a paper to the Bills Committee earlier on to spell out the principles to be followed in formulating the guidelines. I would like to stress again that the Government will ensure that FRC will formulate the guidelines in accordance with these principles.
The maximum limit of pecuniary penalty proposed in the Bill is the greater of $10 million or three times the amount of the profit gained or loss avoided. We understand that small and medium-sized accounting firms are particularly concerned about the maximum limit of $10 million, worrying that this limit might pose unbearable financial difficulties for them. I must stress that $10 million is the maximum limit of pecuniary penalty which would only be imposed in extremely serious cases, for example, the listed company in question is very influential with significant financial impacts or serious misconducts are committed.

Furthermore, apart from formulating detailed guidelines by FRC to provide precedents for auditors to go by in order to prevent them from being easily penalized, it is most important for FRC to give holistic consideration and decide if the imposition of pecuniary penalty is the most effective way to deal with the case. In some cases, it may be more effective to impose non-pecuniary penalties, including the imposition of conditions of renewal to compel the auditors to improve their problems. For example, if the root of the problem is the auditor's misunderstanding of the accounting standards, FRC may consider requiring him to comply with an additional condition of completing additional training when his registration is renewed,. Another example is, if a seasoned auditor fails to properly supervise the work of frontline and greener auditors, FRC will require that seasoned auditor to take up more guiding responsibilities.

Chairman, just as I said when I proposed to resume the Second Reading debate earlier, the Government understands that small and medium-sized accounting firms are still concerned about the way in which FRC exercises the power to impose pecuniary penalty under the new regulatory regime. Therefore, we undertake to implement the new regulatory regime only after FRC publishes clear guidelines on how it exercises the power to impose pecuniary penalty, and in the course of formulating the guidelines, it will maintain communication with the industry, including the Hong Kong Institute of Certified Public Accountants and accounting firms of different scales, so as to enable them to express views.

Chairman, owing to the above reasons, we oppose Mr LEUNG's amendments. The passage of Mr LEUNG's amendments will seriously undermine the power of FRC to impose disciplinary sanctions against extremely serious cases in the future. This is not in line with the standards and practices of some overseas jurisdictions, such as the United Kingdom, and the financial
regulatory regimes of, for example, the securities and insurance sectors in Hong Kong. Chairman, I implore Members to oppose the amendments proposed by Mr Kenneth LEUNG. Chairman, I so submit.

CHAIRMAN (in Cantonese): The committee now votes on the first group of amendments moved by the Secretary. I now put the question to you and that is: That the first group of amendments moved by the Secretary for Financial Services and the Treasury be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declared the amendments passed.

CLERK (in Cantonese): Clauses 1, 4, 7, 9, 11, 19, 23, 26, 31, 33, 62, 64, 75, 78, 85 and 87 as amended.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the clauses as amended just read out by the Clerk stand part of the Bill. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)
CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): Before I call upon Mr Kenneth LEUNG to move his first group of amendments, I wish to remind Members that if his first group of amendments are passed, he may not move his second and third groups of amendments.

Mr Kenneth LEUNG, you may move your first group of amendments.

MR KENNETH LEUNG (in Cantonese): Chairman, I move my first group of amendments to further amend clause 48, as set out in the Appendix to the Script.

Proposed amendments

Clause 48 (See Annex I)

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the first group of amendments moved by Mr Kenneth LEUNG be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Kenneth LEUNG rose to claim a division.
CHAIRMAN (in Cantonese): Mr Kenneth LEUNG has claimed a division. The division bell will ring for five minutes.

CHAIRMAN (in Cantonese): Will Members please proceed to votes.

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

Functional Constituencies:

Mr LEUNG Yiu-chung, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr Dennis KWOK, Mr IP Kin-yuen, Mr SHIU Ka-chun and Mr KWONG Chun-yu voted for the amendments.

Mr Tommy CHEUNG, Mr Jeffrey LAM, Mr WONG Ting-kwong, Mr CHAN Kin-por, Mr Steven HO, Mr Frankie YICK, Mr YIU Si-wing, Mr Christopher CHEUNG, Mr Martin LIAO, Mr POON Siu-ping, Ir Dr LO Wai-kwok, Mr CHUNG Kwok-pan, Mr HO Kai-ming, Mr Holden CHOW, Mr SHIU Ka-fai, Mr CHAN Chun-ying, Mr LUK Chung-hung and Mr LAU Kwok-fan voted against the amendments.

THE CHAIRMAN, Mr Andrew LEUNG, did not cast any vote.

Geographical Constituencies:

Ms Claudia MO, Dr KWOK Ka-ki, Mr Alvin YEUNG, Mr Andrew WAN, Mr CHU Hoi-dick, Mr LAM Cheuk-ting, Ms Tanya CHAN, Dr CHENG Chung-tai, Mr Jeremy TAM, Mr Gary FAN and Mr AU Nok-hin voted for the amendments.
Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin, Mrs Regina IP, Mr Paul TSE, Mr CHAN Han-pan, Ms Alice MAK, Mr KWOK Wai-keung, Dr Elizabeth QUAT, Mr Wilson OR, Mr CHEUNG Kwok-kwan, Mr Vincent CHENG and Ms CHAN Hoi-yan voted against the amendments.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 26 were present, 7 were in favour of the amendments and 18 against them; while among the Members returned by geographical constituencies through direct elections, 24 were present, 11 were in favour of the amendments and 13 against them. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendments were negatived.

MR DENNIS KWOK (in Cantonese): Chairman, I move that in the event of further divisions being claimed in respect of any provisions of or any amendments to the Financial Reporting Council (Amendment) Bill 2018, this committee of the whole Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Dennis KWOK be passed.

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

(Members raised their hands)

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

(No hands raised)
CHAIRMAN (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

I order that in the event of further divisions being claimed in respect of any provisions of or any amendments to the Financial Reporting Council (Amendment) Bill 2018, this committee of the whole Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

CHAIRMAN (in Cantonese): Before I call upon Mr Kenneth LEUNG to move his second group of amendments, I wish to remind Members that if his second group of amendments are passed, he may not move his third group of amendments.

Mr Kenneth LEUNG, you may move your second group of amendments.

MR KENNETH LEUNG (in Cantonese): Chairman, I move my second group of amendments to further amend clause 48, as set out in the Appendix to the Script.

Proposed amendments

Clause 48 (See Annex I)

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the second group of amendments moved by Mr Kenneth LEUNG be passed.

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

(Members raised their hands)
CHAIRMAN (in Cantonese): Those against please raise their hands.

(Members raised their hands)

Mr Kenneth LEUNG rose to claim a division.

CHAIRMAN (in Cantonese): Mr Kenneth LEUNG has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Mr LEUNG Yiu-chung, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr Dennis KWOK, Mr IP Kin-yuen, Mr SHIU Ka-chun and Mr KWONG Chun-yu voted for the amendments.

Mr Tommy CHEUNG, Mr Jeffrey LAM, Mr WONG Ting-kwong, Mr CHAN Kin-por, Mr Steven HO, Mr Frankie YICK, Mr YIU Si-wing, Mr Christopher CHEUNG, Mr Martin LIAO, Mr POON Siu-ping, Ir Dr LO Wai-kwok, Mr CHUNG Kwok-pan, Mr HO Kai-ming, Mr Holden CHOW, Mr SHIU Ka-fai, Mr CHAN Chun-ying, Mr LUK Chung-hung and Mr LAU Kwok-fan voted against the amendments.

THE CHAIRMAN, Mr Andrew LEUNG, did not cast any vote.
Geographical Constituencies:

Ms Claudia MO, Dr KWOK Ka-ki, Mr Alvin YEUNG, Mr Andrew WAN, Mr CHU Hoi-dick, Mr LAM Cheuk-ting, Ms Tanya CHAN, Dr CHENG Chung-tai, Mr Jeremy TAM, Mr Gary FAN and Mr AU Nok-hin voted for the amendments.

Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin, Mrs Regina IP, Mr Paul TSE, Mr CHAN Han-pan, Ms Alice MAK, Mr KWOK Wai-keung, Dr Elizabeth QUAT, Mr Wilson OR, Mr CHEUNG Kwok-kwan, Mr Vincent CHENG and Ms CHAN Hoi-yan voted against the amendments.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 26 were present, 7 were in favour of the amendments and 18 against them; while among the Members returned by geographical constituencies through direct elections, 24 were present, 11 were in favour of the amendments and 13 against them. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendments were negatived.

CHAIRMAN (in Cantonese): Mr Kenneth LEUNG, you may move your third group of amendments.

MR KENNETH LEUNG (in Cantonese): Chairman, I move my third group of amendments to further amend clause 48, as set out in the Appendix to the Script.

Proposed amendments

Clause 48 (See Annex I)

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the third group of amendments moved by Mr Kenneth LEUNG be passed.
CHAIRMAN (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Kenneth LEUNG rose to claim a division.

CHAIRMAN (in Cantonese): Mr Kenneth LEUNG has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Mr LEUNG Yiu-chung, Mr Charles Peter MOK, Mr Kenneth LEUNG, Mr Dennis KWOK, Mr IP Kin-yuen, Mr SHIU Ka-chun and Mr KWONG Chun-yu voted for the amendments.

Mr Tommy CHEUNG, Mr Jeffrey LAM, Mr WONG Ting-kwong, Mr CHAN Kin-por, Mr Steven HO, Mr Frankie YICK, Mr YIU Si-wing, Mr Christopher CHEUNG, Mr Martin LIAO, Mr POON Siu-ping, Ir Dr LO Wai-kwok, Mr CHUNG Kwok-pan, Mr HO Kai-ming, Mr Holden CHOW, Mr SHIU Ka-fai, Mr CHAN Chun-ying, Mr LUK Chung-hung and Mr LAU Kwok-fan voted against the amendments.
THE CHAIRMAN, Mr Andrew LEUNG, did not cast any vote.

Geographical Constituencies:

Ms Claudia MO, Dr KWOK Ka-ki, Mr Alvin YEUNG, Mr Andrew WAN, Mr CHU Hoi-dick, Mr LAM Cheuk-ting, Ms Tanya CHAN, Dr CHENG Chung-tai, Mr Jeremy TAM, Mr Gary FAN and Mr AU Nok-hin voted for the amendments.

Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin, Mrs Regina IP, Mr Paul TSE, Mr CHAN Han-pan, Ms Alice MAK, Mr KWOK Wai-keung, Dr Elizabeth QUAT, Mr Wilson OR, Mr CHEUNG Kwok-kwan, Mr Vincent CHENG and Ms CHAN Hoi-yan voted against the amendments.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 26 were present, 7 were in favour of the amendments and 18 against them; while among the Members returned by geographical constituencies through direct elections, 24 were present, 11 were in favour of the amendments and 13 against them. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendments were negatived.


CHAIRMAN (in Cantonese): As the amendments to clause 48 moved by the Secretary have been passed earlier, I now put the question to you and that is: That clause 48 as amended stand part of the Bill. Will those in favour please raise their hands?

(Members raised their hands)
CHAIRMAN (in Cantonese): Those against please raise their hands.

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): The committee now deals with the Secretary's second group of amendment, that is the new clause.

CLERK (in Cantonese): New clause 89A Section 52 amended (Council may delegate).

CHAIRMAN (in Cantonese): Secretary, you may move your second group of amendment to read the new clause a Second time.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Chairman, I move my second group of amendment as set out in the Appendix to the Script to read the new clause just read out by the Clerk a Second time.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the new clause read out by the Clerk be read the Second time.

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

(Members raised their hands)
CHAIRMAN (in Cantonese): Those against please raise their hands.

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): New clause 89A.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Chairman, I move that the new clause just read out by the Clerk be added to the Bill.

Proposed addition

New clause 89A (See Annex I)

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the new clause read out by the Clerk be added to the Bill.

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

(Members raised their hands)

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

(No hands raised)
CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): All the proceedings on the Financial Reporting Council (Amendment) Bill 2018 have been concluded in the committee of the whole Council. Council now resumes.

Council then resumed.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I now report to the Council: That the

Financial Reporting Council (Amendment) Bill 2018

has been passed by committee of the whole Council with amendments. I move the motion that "This Council adopts the report".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Financial Services and the Treasury be passed.

In accordance with the Rules of Procedure, this motion shall be voted on without amendment or debate.

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

(Members raised their hands)

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

(No hands raised)
PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

Third Reading of Government Bill


FINANCIAL REPORTING COUNCIL (AMENDMENT) BILL 2018

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I move that the

Financial Reporting Council (Amendment) Bill 2018

be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Financial Reporting Council (Amendment) Bill 2018 be read the Third time and do pass.

Does any Member wish to speak?

MS STARRY LEE (in Cantonese): President, the passage of the Financial Reporting Council (Amendment) Bill 2018 ("the Bill") is indeed a rather substantive change to the auditing sector. I hope the Secretary will honour his undertaking, particularly to continue communicating with small and medium-sized accounting firms or the sector after the passage of the Bill, so that they will rest assured in respect of the implementation of penalty guidelines.

Moreover, on the composition of the Financial Reporting Council ("FRC"), given that all members of the governing council are non-practitioners, and during the appointment process, it is mandatorily required that one-third of members of FRC should have experience in the relevant sector, I thus hope the Secretary will continue communicating with the sector on this front, so as to let them understand the matter.
Lastly, I also hope the Secretary may consider increasing the amount of seed money, so that FRC can cater for the needs of the market and the sector. I so submit.

**MR KENNETH LEUNG** (in Cantonese): President, I am going to be very brief. This is because even if I speak further, I will only repeat the points mentioned earlier. We, the accounting sector, face an increasingly difficult business environment. Moreover, the former Financial Secretary had also said that three professions (viz. doctors, lawyers and accountants) would be replaced by artificial intelligence within the next decade. Under such circumstances, I hope the Financial Reporting Council will help the sector enhance its standard, instead of punish us wantonly and throttle the room for survival for small and medium-sized accounting firms. I hope that Hong Kong, being an international financial centre, will meet international standard in respect of finance-related legislation and regulatory mechanism.

President, I so submit.

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

(No Member indicated a wish to speak)

**PRESIDENT** (in Cantonese): Secretary, do you wish to speak again?

(The Secretary indicated that he did not wish to speak again)

**PRESIDENT** (in Cantonese): I now put the question to you and that is: That the Financial Reporting Council (Amendment) Bill 2018 be read the Third time and do pass. Will those in favour please raise their hands?

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.


Resumption of Second Reading Debate on Government Bill


INLAND REVENUE (AMENDMENT) (NO. 6) BILL 2018

Resumption of debate on Second Reading which was moved on 31 October 2018

PRESIDENT (in Cantonese): Mr Kenneth LEUNG, Chairman of the Bills Committee on the Bill, will first address the Council on the Committee's Report.

MR KENNETH LEUNG: President, in my capacity as Chairman of the Bills Committee on Inland Revenue (Amendment) (No. 6) Bill 2018 ("the Bill"), I wish to give a brief account of the work of the Bills Committee.

Inland Revenue (Amendment) (No. 6) Bill 2018 ("the Bill") amends the Inland Revenue Ordinance (Cap. 112) ("IRO") to provide debt-like tax treatment for loss-absorbing capacity ("LAC") debt instruments in order to facilitate the implementation of the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements—Banking Sector) Rules ("the LAC Rules") which commenced operation in December 2018. Under the LAC Rules, authorized
institutions ("AIs"), their holding companies or affiliated operational entities are required to issue LAC debt instruments in order to meet the external or internal LAC requirements prescribed by the Rules. Such instruments can be written down or converted into equity to absorb losses of an entity and hence recapitalizing the entity when it becomes non-viable and goes into resolution. While the legal form of LAC debt instruments is debt-like, such instruments have an equity-like loss-absorbing feature. Their hybrid nature raises questions about their tax treatment, in particular whether they are eligible for debt-like tax treatment under IRO.

The main objective of the Bill is to provide certainty of tax treatment for LAC debt instruments so that they will be eligible for interest expenses deduction for profits tax purposes. The definition of regulatory capital securities ("RCS") under IRO is expanded to include LAC debt instruments, so that the transfer of LAC debt instruments will be exempt from stamp duty under the Stamp Duty Ordinance (Cap. 117). The Bills Committee has held one meeting to study the Bill, and received two submissions on the Bill.

Some members of the Bills Committee have expressed concern on whether AIs can utilize various financial arrangements, for instance, through holding LAC debt instruments issued by other AIs, or purchasing LAC debt instruments issued by a subsidiary in the same banking group, in order to exploit the proposed profits tax deduction and stamp duty exemption. There are also concerns that an AI, which is still viable, may be induced by the proposed tax deduction and stamp duty exemption to abuse the use of resolution so as to obtain capital resources.

The Administration has advised that the LAC Rules have prescribed restrictions on the sale and holding of LAC instruments by AIs, in particular for transactions between a subsidiary and its holding company (i.e. "back-to-back transactions"). For intra-group transactions which involve back-to-back arrangements, the purchaser of internal LAC instruments (i.e. the holding company) has to meet external LAC requirements of its own. The holding company's holdings of internal LAC instruments issued by the material subsidiary need to be deducted from its resources for meeting its external LAC requirements. If the holding company or the material subsidiary purchases external LAC instruments issued by other banking groups, it has to make a corresponding reduction in its own capital. The deduction in LAC capital
prevents holding companies and AIs from artificially increasing their capital through holding of LAC instruments issued by their group companies or other banking groups.

The Bills Committee has enquired whether the Bill includes anti-avoidance provisions on interest expenses deductions concerning "back-to-back transactions", and transactions between an AI or a LAC banking entity and its associates.

Regarding "back-to-back transactions", the Administration has explained the rules for interest expenses deduction that will apply if an AI issues internal LAC debt instruments to its holding company. In particular, if the holding company is not chargeable to tax in Hong Kong, the basic rule is that the AI will not be eligible for interest deduction. However, if the holding company's funding for the purchase of the AI's internal LAC debt instruments is from the issuance of external LAC debt instruments or other debt instruments to a third party, interest payable by the AI will be allowable for deduction but the amount of deduction will be restricted to the sum payable by the holding company to a third party.

As regards transactions between an AI or a LAC banking entity and its associates, the Administration has advised that anti-avoidance measures are prescribed in section 17E of IRO, which sets out how profits shall be adjusted if the associates do not deal at arm's length in connection with RCS.

The Bills Committee has enquired about the reasons for exempting the transfer of LAC debt instruments from stamp duty. The Administration has explained that RCS (consisting of Additional Tier 1 capital instruments and Tier 2 capital instruments, and other LAC debt instruments), which possess features of both debt and equity, are treated as debts by the international financial community. The Bill seeks to amend the definition of RCS in IRO to reflect this international practice. Currently, transfer of RCS (covering Additional Tier 1 and Tier 2 capital instruments which are already treated as debt securities) is exempt from stamp duty. The amendment in the Bill will extend the stamp duty exemption to all LAC debt instruments.

The Bills Committee has no objection to resuming the Second Reading debate on the Bill, and will not propose amendments to the Bill.
MR KENNETH LEUNG (in Cantonese): President, the Inland Revenue (Amendment) (No. 6) Bill 2018 ("the Bill") is a very technical bill concerning tax amendment and it is also the sixth Amendment Bill on the Inland Revenue Ordinance. It can be seen that Hong Kong as an international financial centre is keeping abreast of the times. The Bill seeks to amend the Inland Revenue Ordinance to treat certain loss-absorbing capacity ("LAC") debt instruments as debt securities for profits tax purpose; to deem certain sums received by or accrued to certain entities as trading receipts, which are liable to the payment of profits tax; to allow deduction of interest on money borrowed by certain entities in respect of certain regulatory capital securities in ascertaining chargeable profits; to provide that certain entities are ineligible to be qualifying corporate treasury centres; and to provide for the amendment of certain matters such as the exemption of the transactions of certain LAC debt instruments from stamp duty, since everyone is aware that transactions involving debt instruments are also exempt from stamp duty.

At the meeting of the Legislative Council on 12 December last year, a piece of subsidiary legislation concerning LAC debt instruments was passed. Since it was not the primary legislation, we now pass the primary legislation in retrospect. The controversy arising from the subsidiary legislation was that in order to eliminate the systematic risks among the international banking systems, whether small and medium banks, in particular those only operating in Hong Kong or having few overseas branches and very low gross asset values, were obliged to adhere fully to the international criteria concerning the issuance of LAC debt instruments. During discussion, the Subcommittee on the subsidiary legislation put forward to the Government a number of recommendations, most of which have been adopted by the Government, including exempting small and medium banks from issuing this kind of instrument.

President, as you may also know, if too many banks issue such instruments at the same time, it will be very hard for either the local or international market to absorb or purchase all the instruments. After the issuance of these instruments, they must be purchased by financial institutions outside the banking system so as to effect the shock-proof or loss-absorbing capacity. If the instruments are traded within the banking system, they simply fail to perform the loss-absorbing function.

Since the subsidiary legislation had been discussed by the Subcommittee and passed by the Legislative Council, the purpose of the Bill is to make amendments to the Inland Revenue Ordinance in relation to LAC instruments
according to the subsidiary legislation. However, I have a question concerning some technical matters. Some members of the Bills Committee or members of the industry have pointed out that banks very often issue hybrid tools which have features of both debt instruments and capital instruments. Such tools normally function as debt instruments but once there are problems, they can be converted into capital instruments. They queried why there is a need for conversion. One of the reasons is to absorb loss.

The taxation arrangements of these hybrid instruments were not very clear in the past. I recall that about three or four years ago, an amendment was proposed to the Inland Revenue Ordinance for the provision of tax concessions to such hybrid debt instruments. Assuming that certain LAC instruments have been issued by a bank before the passage of the Bill, according to the Inland Revenue Department, as the Bill has not been passed, these LAC instruments will not get interest deduction for tax purpose. However, the problem is that since the nature of these instruments remains totally unchanged before and after the passage of the Bill, the only difference is that the taxation arrangement becomes clearer after the passage of the Bill. Before the passage of the Bill, the debt instruments seem to be debts and capitals, and if they are genuinely issued by banks, there is no reason why they should not enjoy tax deduction as their nature will not be changed after the Bill is passed. The Bill only provides a clearer definition. Since these instruments already have the feature of debt instruments before the passage of the Bill, I do not see why there is such an arrangement.

I remember that a few years ago, when we were examining the capital structure of banks, the Inland Revenue Department also made some special arrangements for tools that were both debt instruments and capital instruments. Before the relevant ordinance was passed, special allowance was made by providing interest deduction for tax purpose. Can such a practice be applied under the current situation, that is, to accord special treatment to this kind of instrument before the passage of the relevant ordinance? Apart from interest deduction for profits tax purpose, there is also a similar problem with stamp duty. The Secretary may not be able to address this problem today but I hope that when there are new instruments or other financial tools in the future, the Bureau will consider the circumstances under which tax deduction can be provided.

President, I do not see there are any reasons why colleagues in the Legislative Council will oppose the Bill. I support the Second and Third Readings of the Bill. I so submit.
MR WONG TING-KWONG (in Cantonese): President, the main purpose of the Inland Revenue (Amendment) (No. 6) Bill 2018 ("the Bill") is to deal with the taxation issue arising from the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements―Banking Sector) Rules. The matters involved seem to be quite complicated and laymen will find it hard to understand.

Certain provisions of the Financial Institutions (Resolution) Ordinance ("the Ordinance") have impacts on maintaining the stability of Hong Kong's financial system. As we all know, it is necessary to maintain a minimum level of loss-absorbing capacity ("LAC"), so that Hong Kong's financial system will not be impacted and disrupted should any financial institutions have operation problems.

To maintain a minimum level of LAC, financial institutions must issue LAC instruments, including regulatory capital instruments, Additional Tier 1 capital instruments, Additional Tier 2 capital instruments and other LAC-eligible liabilities where the latter three are collectively known as "LAC debt instruments".

Since the other LAC-eligible liabilities are not clearly defined in the current Inland Revenue Ordinance, the Bill provides the taxation status of LAC-eligible liabilities and, for profits tax purpose, treats other LAC-eligible liabilities as debt securities, the taxation definition of which will be the same as that of Additional Tier 1 capital instruments and Additional Tier 2 capital instruments. The Bill also proposes to exempt the transfer of all LAC debt instruments from stamp duty.

The Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") and I think that the Bill aims at perfecting the Ordinance, which will greatly enhance the stability of the financial market in Hong Kong. The Bill also adopts a number of measures to prevent financial institutions from using the various tax concessions offered to LAC debt instruments for tax avoidance. Hence, DAB and I will support the Bill. Thank you, President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, I now call upon the Secretary to reply. Then, the debate will come to a close.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, first of all I must thank Mr Kenneth LEUNG, Chairman of the Bills Committee on the Inland Revenue (Amendment) (No. 6) Bill 2018 ("the Bill"), and other members of the Bills Committee for their efforts in scrutinizing the Bill.

Since the major provisions of the Financial Institutions (Resolution) Ordinance ("the Ordinance") came into effect in July 2017, various resolution authorities have endeavoured to enhance the resolvability of financial institutions in the hope of ensuring financial stability. The Monetary Authority, being a resolution authority for banking sector entities, made the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements―Banking Sector) Rules ("the Rules") pursuant to section 19(1) of the Ordinance in December last year. The Rules, which align closely with the international standards of loss-absorbing capacity ("LAC") requirements as set out in the Financial Stability Board's Total Loss-absorbing Capacity Term Sheet, prescribe the minimum LAC requirements for banks and their group companies. Banks and their group companies are required to maintain minimum levels of LAC, which can be used to absorb losses and provide recapitalization resources to facilitate orderly resolution should such companies be in financial distress.

To facilitate the implementation of the Rules, there are provisions in the Bill specifying the tax treatment of LAC debt instruments issued by authorized institutions and their group companies. Under the relevant amendments, all LAC debt instruments will be given the same tax treatment as that currently afforded to Additional Tier 1 ("AT1") capital instruments and Tier 2 ("T2") capital instruments issued under the regulatory capital regime. According to the proposed amendments, the following instruments will be treated as debts for profits tax purpose:

(a) LAC debt instruments issued by authorized institutions, excluding AT1 capital instruments and T2 capital instruments (which have already been afforded the benefit from debt-like tax treatment);

(b) all LAC debt instruments issued by an affiliated operational entity or clean holding company of an authorized institution; and

(c) all instruments issued by a non-Hong Kong incorporated authorized institution under an LAC-equivalent requirement of a non-Hong Kong jurisdiction
To uphold tax symmetry, the interest, gains or profits received by or accrued to a relevant entity from LAC debt instruments will be deemed trading receipts and hence be chargeable to profits tax.

Members of the Bills Committee were concerned whether the Bill would be abused and used for tax avoidance. In this regard, we confirm that the Bill contains relevant anti-avoidance provisions.

Moreover, the Bill will extend the current stamp duty exemption treatment for transfers of AT1 capital instruments and T2 capital instruments to all LAC debt instruments.

Lastly, I am grateful to the Bill Committee for its support for the Bill, which will facilitate the smooth implementation of the Rules, promote financial stability and consolidate Hong Kong's position as an international financial centre. President, I so submit. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Inland Revenue (Amendment) (No. 6) Bill 2018 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.


Council became committee of the whole Council.
Consideration by Committee of the Whole Council

CHAIRMAN (in Cantonese): Council now becomes committee of the whole Council to consider the Inland Revenue (Amendment) (No. 6) Bill 2018.

INLAND REVENUE (AMENDMENT) (NO. 6) BILL 2018

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Bill.

CLERK (in Cantonese): Clauses 1 to 14.

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the clauses read out by the Clerk stand part of the Bill. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): All the proceedings on the Inland Revenue (Amendment) (No. 6) Bill 2018 have been concluded in committee of the whole Council. Council now resumes.
Council then resumed.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I now report to the Council: That the Inland Revenue (Amendment) (No. 6) Bill 2018 has been passed by committee of the whole Council without amendment. I move the motion that "This Council adopts the report".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Financial Services and the Treasury be passed.

In accordance with the Rules of Procedure, this motion shall be voted on without amendment or debate.

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

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

Third Reading of Government Bill

INLAND REVENUE (AMENDMENT) (NO. 6) BILL 2018

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I move that the

Inland Revenue (Amendment) (No. 6) Bill 2018

be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Inland Revenue (Amendment) (No. 6) Bill 2018 be read the Third time and do pass.

Does any Member wish to speak?

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.


MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions.
Ms Starry LEE will move a motion under Rule 49E(2) of the Rules of Procedure to take note of the Declaration of Constituencies (District Councils) Order 2018, which is included in Report No. 10/18-19 of the House Committee laid on the Table of this Council.

In the debate, each Member (including the mover of the motion) may only speak once and for up to 15 minutes. After Members have spoken, I will call upon the public officer to speak. Then, the debate will come to a close, and the motion will not be put to vote.

Members who wish to speak please press the "Request to speak" button.

I now call upon Ms Starry LEE to speak and move the motion.

MOTION UNDER RULE 49E(2) OF THE RULES OF PROCEDURE

MS STARRY LEE (in Cantonese): President, in my capacity as Chairman of the House Committee, I move under Rule 49E(2) of the Rules of Procedure that the motion, as printed on the Agenda, be passed to allow Members to debate on the Declaration of Constituencies (District Councils) Order 2018, which is included in Report No. 10/18-19 of the House Committee.

President, I so submit.

Ms Starry LEE moved the following motion:

"That this Council takes note of Report No. 10/18-19 of the House Committee laid on the Table of the Council on 30 January 2019 in relation to the subsidiary legislation and instrument(s) as listed below:

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Title of Subsidiary Legislation or Instrument</th>
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<tbody>
<tr>
<td>(3)</td>
<td>Declaration of Constituencies (District Councils) Order 2018 (L.N. 263/2018).</td>
</tr>
</tbody>
</table>

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms Starry LEE be passed.
MR AU NOK-HIN (in Cantonese): President, I would like to express my views on the Declaration of Constituencies (District Councils) Order 2018 ("the Declaration Order") under the District Councils Ordinance (Cap. 547)

At a glance, the Declaration Order only declares that it is necessary to demarcate the boundaries of 450 District Council constituency areas ("DCCAs") for the coming (sixth) District Council ("DC") election. However, the political implications and political effects cannot be ignored, and there are many issues to be debated too.

The system for demarcation of the boundaries of DCCAs in Hong Kong originated in the early 1980s. At that time, the District Boards only adopted community integrity as the criterion for demarcation of DCCAs. As a result, some criticized that the population differences in various districts easily made the values of votes uneven. Therefore, the population quota has been based on since 1999. This rule has been adopted for several DC elections and the Declaration Order also adopts this rule. It can be seen from the papers prepared by the Legislative Council for Members that the population quota for this election is 16,599 and the population in a constituency should not deviate from the population quota by more than 25%. In other words, the permissible range of population for each constituency is from 12,449 to 20,749. President, why have I given these figures?

Hong Kong is an international cosmopolitan with very frequent population movements. If about 5,000 people in a small constituency have moved, it is enough to require re-delineation of the existing DCCAs. Is the number of DCCAs in this DC election more than the last time? The boundaries of 123 DCCAs are re-delineated this time but only the boundaries of 109 DCCAs were re-delineated in 2015. I also want to say that re-delineation of the existing DCCAs is not a good thing because the boundaries of DCCAs should remain stable instead of frequently changing under a stable electoral system. Otherwise, while Mr Charles Peter MOK is an elector in my DCCA today who will vote for me, but because of the re-delineation of the existing DCCAs in the next election, he will not vote for me again but Ms Starry LEE will vote for me instead. The results may be very different because Ms Starry LEE's voting intention is different from Mr Charles Peter MOK's. Therefore, a quarter of more than 450 DCCAs will require re-delineation and this is definitely not a small number.
Not only will re-delineation of the existing DCCAs be required this time, the number of DCCAs will also be increased. We can see from the papers prepared by the Legislative Council for Members that Kowloon City, Yau Tsim Mong and Tsuen Wan DCs will respectively have one additional seat; Sham Shui Po, Kwai Tsing, Tuen Mun and Sai Kung DCs will respectively have two additional seats; Kwun Tong and Sha Tin DCs will respectively have three additional seats; and Yuen Long DC will have four additional seats. The Government currently thinks that when the population of an administrative district has increased by a certain proportion, it should correspondingly have additional DC seats; otherwise, the population quota requirement of 16 599 cannot be met and the population distribution among DCCAs will be uneven.

However, we must also consider whether the representativeness of DC members should be higher. If the representativeness of DC members should be higher, should the number of representatives of DCCAs be gradually increased in every election instead of adopting the population quota of about 16 000 or 17 000 for demarcation of the boundaries of DCCAs? This will lead to a deadlock in district administration.

The demarcation of the boundaries of DCCAs has undergone historical changes since 1999. For example, Lei Tung I is my constituency but with the changes in population in the district, if there are not enough people, other housing estates will be included. If there are too many people, a housing estate will be split into two constituencies. In the process, there may be disputes over community integrity in some districts. When consultation was conducted on the demarcation of the boundaries of DCCAs in this election, the Secretary clearly understands that it is very difficult to define community integrity. One of the criteria for defining community integrity is that the District Officer should be consulted and the Area Committee and members of local communities may have to be consulted. All opinions will be summed up, which will serve as the basis for establishing community integrity.

The problem is that if government officers are to define community integrity, they may have various interpretations and it is difficult to come up with a credible definition. Housing estate A and housing estate B may make up a fairly complete community. This may also affect people's trust in the political system.
President, I would like to quote the consensual views on the credibility of the electoral system. Some asked why we should not rashly propose re-delineation of DCCAs. If we rashly propose re-delineation of DCCAs, there will be a gerrymandering effect and the process of demarcation of the boundaries of DCCAs will become neither fish nor fowl. Why does the Government demarcate the boundaries of DCCAs this way? It is cited in an article in an academic journal that some regimes, even the ruling parties of democratic regimes, have the opportunity to achieve political results through demarcation of the boundaries of constituencies. It is stated in the article "Manipulating maps and winning elections: measuring the impact of malapportionment and gerrymandering" by Ron JOHNSTON that those who support reviewing the boundaries of constituencies or upholding the electoral system should try to avoid three situations: First, malapportionment. If there is substantial population differences in constituencies, there will be problems with representativeness and the values of the votes of voters. In some constituencies, a seat is returned by more than 100 voters but a seat is returned by tens of thousands of voters in other constituencies. I think this explains why functional constituencies should be abolished because the values of the votes are uneven. If there are population differences in DCCAs, e.g. the DC member in a certain constituency represents 20,000 people while the DC member in another constituency represents 12,000 people, these differences should be avoided as soon as possible.

Under the existing system, the Government has done its best to narrow the gap and it has also set the population quota at 16,599 and that the population in a constituency should not deviate from the population quota by more than 25%. But I also wish to say that this requirement and the population mobility in Hong Kong made it necessary to re-delineate one fourth of DCCAs in each election. Should this be minimized? If there are no additional seats in the next election but only the average number of people represented by each DC member is increased, the number will then be multiplied by 25% and the upper and lower limits of the population quota will be exceeded and re-delineation of DCCAs will be required.

The Government will definitely adopt this method if it wants to improve the credibility of the political system, but it has never conducted a review in this aspect. Ron JOHNSTON also mentions that, as I said earlier, revising the boundaries of constituencies will be unfair. Of course, the Government also wants to eliminate this problem, so it has conducted a number of consultations on
the demarcation of the boundaries of DCCAs. Yet, is re-delineation of DCCAs fair? The democratic and pro-establishment DC members have said that re-delineation of DCCAs will not benefit them and it will still be unfair.

I would like to point out the following. We all understand that if the population in a constituency has not changed, people who have always voted for Mr LAU Kwok-fan will still vote for him while those who have always voted for AU Nok-hin will still vote for me. The incumbent DC members naturally have advantages because the voters have not changed. If the population of a constituency has changed, there will be controversies and there may be disputes among incumbent candidates and other candidates.

I would also like to cite an article in another academic journal. It is an article entitled "Gerrymandering in Electoral Autocracies: Evidence from Hong Kong" by Prof Stan WONG from The Hong Kong Polytechnic University published in the British Journal of Political Science. Ron JOHNSTON's article mentioned a while ago was published in the Political Geography journal. President, this is a study on Hong Kong including statistical analyses on more than 400 constituencies. Prof Stan WONG studied the demarcation of the boundaries of DCCAs in the 2007 and 2011 DC elections. He conducted statistical analyses on whether the elected DC members were from the democratic or pro-establishment camp. The positions marked with an asterisk indicate significance, i.e. statistically considered to be related. One of the columns is percentage building change. The pan-democrats are marked with an asterisk, meaning significant, while those of the pro-establishment camp are not marked. Another column is flow share—Secretary, I can provide you with the information—the pan-democrats are marked with two asterisks to mean significant and the pro-establishments are not.

President, please allow me to directly quote the English article: "Converting the coefficient to an average marginal effect, I found that increasing redistricting intensely by one standard deviation would reduce the probability of re-election by more than 6 percentage point on pan-democratic incumbents." Re-delineation of DCCAs is statistically unfavourable to the pan-democrats. "The same coefficient is not statistically significant in the sample of pro-establishment incumbents. The result supports hypothesis that redistricting can reduce the chance of re-election for pan-democratic incumbents." This is the first conclusion.
The second conclusion is that "The decline in flow share in competitive opposition control district will significantly lower their chance for re-election." In other words ... I have no intention of demanding redress for a grievance making a distinction between factions and groupings but objective data prove that it is more difficult for the pro-democratic DC members to be re-elected after re-delineation of DCCAs, and this is also reflected by the statistical model. So, how can the public not doubt that there is unfairness in the re-delineation of DCCAs?

Third, Ron JOHNSTON mentions that there may be wasted votes, i.e. there is strong support for a party in a certain constituency but if the supporting votes are concentrated in this constituency while there are insufficient supporting votes in three other constituencies, there will be unfairness. It is difficult for me to draw a conclusion but local studies and international standards tell us that if frequent re-delineation of DCCAs gives rise to problems (The buzzer sounded) ... a reform is needed.

PRESIDENT (in Cantonese): Mr AU, please stop speaking immediately.

MR LAU KWOK-FAN (in Cantonese): President, frankly speaking, the demarcation of the boundaries of District Council constituency areas ("DCCAs") has been settled. Many Members have put forward their views during the consultation process. Some of the views have been accepted but some Members have asked to maintain the original demarcation, which has caused much controversy. Members' speeches today may not be able to change the results but I hope that our speeches will help the Constitutional and Mainland Affairs Bureau and the Electoral Affairs Commission ("EAC") learn a lesson or draw experience to facilitate future review or improvement.

According to the Proposed Constituency Areas Boundary Descriptions for the 2019 District Council ("DC") Ordinary Election previously announced by EAC, it is necessary to re-delineate the DCCA boundaries of more than one third of the constituencies, which is more than the constituencies involved in the last two elections. EAC has received a total of 6 285 written representations on re-delineation of the DCCA boundaries, which attained a record high. Under the Electoral Affairs Commission Ordinance, demarcation of the geographical constituencies has to take into consideration "the community identities, the
preservation of local ties and physical features such as size, shape, accessibility and development of the relevant areas" but the re-delineation of the DCCA boundaries this time has undermined community integrity and caused communities to become "fragmented". It has also substantially increased the workload of DC members and affected the residents.

Mr AU Nok-hin has just presented some arguments. I would like to briefly summarize that he seems to be suffering from "political persecutory delusional disorder". Frankly speaking, there are certain relations between demarcation of the boundaries of DCCAs and the incumbent members being elected. However, in the first lesson on social statistics years ago, we already learnt that we used an umbrella when it was raining but it might not be raining when we used an umbrella. Demarcation of the boundaries of DCCAs will certainly affect whether DC members can be elected but whether DC members have full-time employment and whether they are hardworking are also influential factors. Mr AU has just said that voters who have always voted for someone will continue to do so but voters who have never voted for someone may not do so. If so, in a constituency where the DCCA boundaries have not been re-delineated, new candidates will not be able to successfully challenge the incumbent candidates. For example, the DCCA boundaries in my constituency were not re-delineated and I lost by 100 votes when I stood for election the first time. When I stood for election the second time, the DCCA boundaries in my constituency were not re-delineated but the votes I had doubled while my opponents' votes were reduced by half. This proves that the candidates' efforts are crucial.

If it is said that there is unfairness, EAC or the Constitutional and Mainland Affairs Bureau is really unfair to the pro-establishment camp. I would like to cite Cheung Chau in the Islands District as an example. The Administration proposes to merge Cheung Chau South and Cheung Chau North into one constituency this time but the incumbent DC members of the two constituencies are pro-establishment members. Mr AU Nok-hin has just asked if re-delineation of the DCCA boundaries is beneficial to the democrats or the pro-establishment camp. I do not have a crystal ball, so I have no idea. However, I know for sure that after merging the Cheung Chau South and Cheung Chau North constituencies, there will be one seat less and only one of the two pro-establishment members will be left. Is that more unfair?
I do not want to say who will win or lose under this system, whether the incumbent DC members have advantages or how the new candidates will be affected. I just want to talk about how much this system affects community integrity and the residents. These are the factors that should be considered by the community or the participants in politics. We should not consider whether the election results will favour us.

(THE PRESIDENT'S DEPUTY, MS STARRY LEE, took the Chair)

As I mentioned earlier, there are 26,000 residents in Cheung Chau, far more than 17,000 residents to be handled by a DC member. Moreover, there are different communities in Cheung Chau and there is the influx of a large number of tourists during holidays, which has caused many problems. Furthermore, Cheung Chau has an extensive area. If the number of DC members will be changed from two to one, it will become more difficult for the residents to seek assistance and the processing time of cases will become longer. Is it fair for a DC member to deal with a much larger number of people in his constituency? As other places in the Islands District such as the Lantau Island and many constituencies in the New Territories are very large and extensive, there are also problems.

Nevertheless, I would like to say that Mr AU Nok-hin has just erroneously said that he has to deal with the issues of demarcation of the boundaries of DCCAs and seats. I would like to say that the issue of the number of seats has already been dealt with and the major issue for discussion now is demarcation of the boundaries of DCCAs. This is what I have been criticizing or highlighting. There are problems as the Administration has separately dealt with the number of seats and demarcation of the boundaries of DCCAs. First, the Administration decided on the number of seats in the next election on the basis of the demographic situation before determining demarcation of the boundaries of DCCAs on the basis of the number of seats. Dealing with the two steps separately will definitely confine demarcation of the boundaries of DCCAs within a very limited framework. For example, the Administration has decided on the number of seats in the Islands District, which cannot be changed; if a place will be merged with Tung Chung or Cheung Chau in the course of demarcation of the boundaries of DCCAs, the residents of Tung Chung or Cheung Chau would have complaints. In any case, the problems in the two places cannot be solved.
In addition, when the authorities began to re-delineate the DCCA boundaries, they had not taken into account the situation of the districts. The officials concerned only examined the constituency boundary maps and maps in the office and worked behind closed doors on the basis of the population. Since they suited demarcation of the boundaries of DCCAs to the number of seats and the population, there is such a piecemeal approach. In fact, we have continuously reiterated on the adjustment of the number of seats that the 2016 Population By-census contained population projections based on the population at that time but the mobility of the population and future development had not been taken into consideration.

Let us take the North DC of which I am a member as an example. It is projected that two new housing estates will be completed between 2019 and 2020, which include Po Shek Wu Estate near Choi Yuen Road and Fai Ming Estate in Fanling. The population of the two housing estates will at least be increased by 5,600, and the actual population will far exceed the population projections based on the number of elected seats in the two DCs concerned. According to the projections, due to the population increase, the difference between the seats in the North District and the Islands District and the corresponding population proportion in the next DC election will respectively be 0.58 and 0.51, which is over half a seat. The population exceeds the planned level but the number of seats is limited, which means that the DCs concerned will have heavier burdens. As we all know, the North District and the Islands District are the two largest districts in Hong Kong. Will the Constitutional and Mainland Affairs Bureau or EAC consider these factors? I think that the Administration should consider them when demarcating the boundaries of DCCAs.

According to the Administration, although the total population has increased, the number of elected seats can only increase by 16, so North DC members or Islands DC members are asked to help out. Is this practice conservative and somewhat rigid? We have already commented on this and asked whether the Government can handle the adjustment in the number of seats and re-delineation of the DCCA boundaries at the same time, i.e. setting the basic number of seats first and then study how to re-delineate the DCCA boundaries. For example, after the Government has set a number of seats, if it considers that the problems mentioned cannot be solved if the number of seats in the Islands District is not increased, it will add a seat on top of the basic seats or add a seat in the North District. It will finalize the number of seats and demarcate the
boundaries of DCCAs after careful calculations. I think that this can take better
care of the situation of the districts and maintain their special features. I hope
EAC can absorb the relevant views. If the Government does not reflect upon
itself and actively make changes, the concept of "addressing district issues at the
local level and capitalizing on local opportunities" will just be a beautiful political
slogan which may turn out to be empty talk.

Lastly, I hope that all parties and groupings will put aside their prejudices
and base on the interests of the residents and the establishment of the best system
when weighing the merits and demerits of the system and presenting opinions,
rather than focusing on winning or losing the elections. I also want to say that if
they only focus on the results and fail to observe whether the performance of the
candidates or incumbent DC members is good enough, and use this excuse to
complain about losing the elections or against unfairness to certain parties and
groupings, the standard of Members in Hong Kong or the political system will
never be improved.

The example that I have given illustrates that the pro-establishment camp
should think that the decision of EAC is the most unfair, right? I hope that
various parties can focus on long-term development and the best interests of the
public and the communities when conducting a profound review and examination
on these systems for demarcating the boundaries of DCCAs and setting the
number of seats. I understand that limited changes can be made in this election
but I still hope that a review can be launched as soon as possible. Thank you,
Deputy President.

MR CHEUNG KWOK-KWAN (in Cantonese): Deputy President, as Mr LAU
Kwok-fan has just said, we know that the demarcation of the boundaries of
District Council constituency areas ("DCCAs") has been settled. However,
since the HKSAR Government has accepted the proposal of the Electoral Affairs
Commission ("EAC") and re-delineated the DCCA boundaries of 123 existing
constituencies, there are strong concerns in the community. We believe that we
should inform the HKSAR Government of the problems we have found so that
these problems will not reappear in the future.

Deputy President, under the Electoral Affairs Commission Ordinance ("the
Ordinance"), EAC should examine the existing boundaries of constituencies and
propose appropriate adjustment to the boundaries of those constituencies with
projected population exceeding the permissible range with a view to ensuring that their projected population will fall within the statutory permissible range. As Mr AU Nok-hin mentioned a while ago, the statutory permissible range is that the population in a constituency should not deviate from the population quota by more than 25%.

We understand the statutory duties of EAC and we expect EAC to implement the provision of section 20(3) of the Ordinance. Apart from ensuring that the projected population will fall within the statutory permissible range, when EAC proposes adjustment to the boundaries under this provision, it should also take into consideration "the community identities, the preservation of local ties and physical features such as size, shape, accessibility and development of the relevant areas" as just mentioned by Mr LAU Kwok-fan. Therefore, the proposal made by EAC cannot simply consider the adjustment of the population in a constituency and the permitted scope of the statutory permissible range. Instead, it should also take into account factors such as community identities and maintaining local ties, i.e. it should consider the law, reasons and emotions and adopt a people-oriented approach. It should also focus on the point that the original life of the residents would not be affected and the community ties would remain unchanged.

However, basing on some of the recommendations put forward by EAC, we find that EAC has failed to consider the law, reasons and emotions as I have just said. I will give two Hong Kong Island constituencies with re-delineated DCCA boundaries as examples. First of all, I would like to declare interests. In these two examples, the incumbent District Council ("DC") members are DAB members and I understand from these examples that there are absurdities.

First of all, I would like to talk about the Lower Yiu Tung Constituency in Shau Kei Wan in the Eastern District. The Government has transferred a building in the Lower Yiu Tung Constituency to another constituency but it has not noticed that there may be some problems. I do not know if the Secretary or EAC members have been to Yiu Tung Estate. It is a housing estate built along a hill and the estate is divided into two parts by Yiu Hing Road, with one part downhill and another uphill. So, there are two constituencies, Lower Yiu Tung and Upper Yiu Tung, and the division is very clear. Just like the Yangtze River, Yiu Hing Road clearly separates Upper Yiu Tung from Lower Yiu Tung. However, the Government proposes that one of the buildings in Lower Yiu Tung,
namely Yiu On House, be transferred to Upper Yiu Tung. As I said earlier, the
Government will transfer a building on one side of the Yangtze River to the other
side, destroying community integrity as mentioned in the Ordinance.

Another problem is related to the geographical environment and the
residents' habits. The transferred Yiu On House is in the south of the Yangtze
River, and the residents previously used the facilities downhill. The residents
will not use the facilities uphill in the north of the Yangtze River and they have
always used the facilities downhill instead of going to the north of the Yangtze
River, and this is clear enough. But as the Government is now transferring the
building to the north of the Yangtze River, even if the residents of Yiu On House
have any opinions on the facilities in the south of the Yangtze River in the future,
they cannot seek assistance from DC members in the south of the Yangtze River.
They have to seek assistance from DC members uphill in the north of the Yangtze
River, which will create chaos and disturbance to the residents' lives. Needless
to say, the residents have been voting in the south of the Yangtze River
throughout the years, so many of them may go to the wrong polling station at the
next election as they do not know that they will have to vote at the polling station
in the north of the Yangtze River. We think that the above problems may appear
because of the re-delineation of the DCCA boundaries.

Deputy President, as regards the number of voters in Lower Yiu Tung, I
know that at the last DC Election in 2015, the projected population of Lower Yiu
Tung still met the statutory requirement, i.e. within the statutory permissible
range. However, according to the population projections, hundreds of residents
of a building will be transferred to the Upper Yiu Tung Constituency. Is it
worthwhile to transfer a building in the south of the Yangtze River to the north of
the Yangtze River because of the addition or reduction of hundreds of residents
according to the population projections? I think that EAC should really have
careful consideration before re-delineating the DCCA boundaries again in the
future.

Deputy President, let me give another example about the Oi Kwan and
Canal Road constituencies in Wan Chai. A remarkable reason for EAC to
transfer several buildings in the Canal Road Constituency is that the buildings in
this area and the facilities such as the Leighton Centre in the Canal Road
Constituency have stronger community ties with this constituency than other
constituencies. In other words, the buildings were originally not in the Canal
Road Constituency but EAC considered that they are more connected to the facilities such as the Leighton Centre in the Canal Road Constituency and therefore these buildings will be transferred to the Canal Road Constituency.

I find this really strange. I believe that many Hong Kong people have been to the vicinity of Leighton Centre, Lee Theatre, Lee Garden and Times Square. We all know that these are places where the local residents live. They are also places where the residents on Hong Kong Island spend money, go shopping or have meals on Saturdays and Sundays. I believe the Secretary and his wife go shopping in Lee Garden more frequently than the grass roots. How can these buildings be transferred because they are more connected to the facilities such as the Leighton Centre? These places that I just mentioned are the consumption centres on Hong Kong Island and they are visited by all those living on Hong Kong Island. Therefore, I think it is a bit far-fetched to use this as a reason to re-delineate the boundaries of DCCAs. In the report, EAC expresses its gratitude towards the District Officers for providing factual information on regional characteristics and geographical transport. However, if the information is really provided by the District Officers, I think that it is worthy of consideration whether the relevant information is accurate and factual.

Moreover, the population quota of the Oi Kwan and Canal Road constituencies in 2015 were within the statutory permissible range. However, the report states that as the projected population of these two constituencies are inadequate, it is necessary to transfer certain buildings to keep in line with the projected addition or reduction of hundreds of residents. I really want to know how accurate this population projection is, which renders it necessary to transfer certain buildings in the area.

Deputy President, the population of the Wan Chai District is actually declining year after year. Considering the 13 constituencies in Wan Chai, even in 2015, the population in each constituency was actually at the lower limit permissible by the law, less than the standard population. All the 13 constituencies are under-populated and there will still be under-population after the transfer of certain buildings. Given more teapots than lids, is transferring several buildings a good way to solve the problem of demarcation of the boundaries of DCCAs? After all, the most important thing is to adjust the population of Wan Chai in order to meet the statutory requirements instead of indiscriminately shuffling the lids now that there are more teapots than lids.
Deputy President, I hope that when EAC deals with demarcation of the boundaries of DCCAs in the future, it will really be able to consider the law, reasons and emotions together according to statutory requirements. When EAC members have made such a critical decision in the conference room after examining the papers on demarcation of the boundaries of DCCAs, the community ties of the residents in the constituencies concerned are most affected. When dealing with demarcation of the boundaries of DCCAs in the future, I earnestly hope that EAC members will consider the law, reasons and emotions together as I have just said. This approach to demarcation of the boundaries of DCCAs is what the public desire.

Deputy President, I so submit.

MR CHAN HAN-PAN (in Cantonese): Deputy President, I agree very much with the contents of the speeches of Mr CHEUNG Kwok-kwan and Mr LAU Kwok-fan just now, including the demarcation of the boundaries of District Council constituency areas ("DCCAs"). In this regard, the pro-establishment camp and the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") are the biggest victims. If the Government estimates whether the demarcation of the boundaries of DCCAs is needed in a district or whether two constituencies should be merged on the basis of the population, it may have a founded basis. I remember that Cheung Chau was originally a constituency but the Government later indicated that Cheung Chau had an extensive area and a large population, as well as many shops, tourists and community services, so it proposed to divide the Cheung Chau Constituency into two. The population of Cheung Chau is growing and the number of tourists is increasing but the Government is telling us that the permanent population of Cheung Chau has not increased, so the two constituencies in Cheung Chau will be merged into one. This has aroused complaints in the district. In fact, the Government has done so because it cannot find a way to calculate the population of Cheung Chau, which has never changed and new housing constructions are rarely carried out there.

In this connection, we observe that the Government denied what they said in the past. Another example is that if the Government says that the demarcation of DCCAs is based on population, population projections or the figures provided by the Census and Statistics Department ("C&SD"), I think that the projections of C&SD are quite strange sometimes. For example, four large-scale residential projects have been completed near the Tsuen Wan Mass Transit Railway station but according to the population projections of C&SD, the
population of Tsuen Wan is now more than 300,000 but it will be reduced to 300,000 in the future. In other words, the population will decrease but I do not know where those people will go. Many housing construction projects have been completed in Tsuen Wan but why the Government tells us that the population will decrease? What projections are these? They do not make sense. If the officials only sit in the office and demarcate the boundaries of DCCAs on the basis of the figures provided by C&SD, the actual situation may really be different and many community problems will be created. Therefore, I would like to take this opportunity to make it clear that DAB is the major victim in the demarcation of DCCA boundaries. Of course, we have no choice as the Government has decided to do so but I really have to express strong dissatisfaction.

I would like to talk about this legislation. I support amending this legislation mainly because of the provision of false residential addresses. In 2015, there were 482 cases of suspected provision of false residential addresses and more than 600 people were involved. In the past, whenever there were cases involving "ghost voters" and the provision of false residential addresses, some political parties would publicize widely how many "ghost voters" they found and what certain political parties were suspected of doing so, and these cases were extensively reported in the newspapers. These parties would then report these cases to the Registration and Electoral Office and the Electoral Affairs Commission would penalize those involved without verification or finding out if they were really voters. As we all know, the general public would be scared when they were penalized. The Government encourages the public to register as voters to elect the ideal candidates in an election but I have never imagined that someone will take this opportunity to make speculations and engage in political smearing. The biggest problem is that the innocent will be implicated, victimized and prosecuted.

A similar incident has happened in the constituency that I am serving, i.e. Shek Yam Estate in the Shek Lei area. Someone who is now a Member said that other people had provided false residential addresses but he knew all those he reported. These people used to be his volunteer helpers in the past but they are no longer assisting him. Some suspected that the Member was dissatisfied that these people helped him in the past but not now, so he reported them. As the Member's name appeared on the summons, the residents became very angry. Even though they were angry, they could only appear in court and accept the judge's judgment.
The advantage of amending this legislation is that, in case of similar frivolous reports and allegations in the future, the judge can directly judge that the reports are inaccurate without requiring the parties to appear in court. But I think that a more important point is that …

DEPUTY PRESIDENT (in Cantonese): Mr CHAN Han-pan, I think you have strayed too far.

MR CHAN HAN-PAN (in Cantonese): Well, the biggest problem is that there is no penalty even if someone abuses the reporting procedures. Therefore, I think that this is an incomplete practice and penalties should be formulated. In the incident mentioned above, even if the case were reported to the Police, the person concerned would not receive any punishment. If there are such problems in the demarcation of DCCAs and people have questions about the demarcation, there will easily be speculations. Therefore, we believe that there are still many shortcomings and we hope that responsible officials will consider not only the issues of demarcation of DCCAs and elections based on cold figures. Instead, they should base on actual evidence and they should find out more about the actual situation from frontline Members in the demarcation of DCCAs. They should not act arbitrarily and announce the details only after decisions have been made so that there is little room for alteration.

Deputy President, I so submit.

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

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): If not, I now call upon the Secretary to reply. Then, the debate will come to a close.

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): Deputy President, the 2019 District Council Ordinary Election will be held at the end of this year. Regarding the boundaries and names of
constituencies, the Electoral Affairs Commission ("EAC") has submitted a report and recommendations to the Chief Executive in accordance with the relevant provisions of the Electoral Affairs Commission Ordinance (Cap. 541).

On 4 December 2018, the Chief Executive ordered that the recommendations submitted by EAC should be accepted in their entirety and the Declaration of Constituencies (District Councils) Order 2018 ("the Declaration Order") should be made under section 6 of the District Councils Ordinance (Cap. 547). The Declaration Order tabled at the Legislative Council on 9 January 2019 and the Legislative Council considered it not necessary to form a subcommittee to study the Order.

I would like to thank a few Members who have just spoken, including Mr AU Nok-hin, Mr LAU Kwok-fan, Mr CHEUNG Kwok-kwan and Mr CHAN Han-pan, and I will respond to a few points here.

The problem can be divided into two parts; the first part is about the determination of the number of elected seats in the sixth District Council ("DC") and the second part is about delineation of District Council Constituency Areas ("DCCAs"). While the determination of the number of elected seats in DCs is the work of the Government, the delineation of DCCAs is handled by EAC. As EAC is an independent body established under the law, there is a difference between the Government and EAC.

Concerning the determination of the number of elected seats in the sixth DC, the relevant review was launched in the second quarter of 2017 and the District Councils Ordinance (Amendment of Schedule 3) Order 2017 was approved by a resolution of the Legislative Council on 17 January 2018 to follow through the review. Similar to the fifth DC, this review was based on the Projections of Population Distribution provided by the Planning Department in the election year concerned, i.e. 2019, divided by the existing population quota at the time of the review (i.e. 16 964 people), so as to determine the number of elected seats. The review is based on objective demographic data, thereby ensuring that the current system to review of the number of seats is objective, fair and non-discriminatory.

A Member mentioned the issue of population projection just now. We understand the problem because the data used in the review have in fact certain limitations. For example, when we conducted the review, the Census and
Statistics Department ("C&SD") announced the Results of the 2016 Population By-census in late February 2017. We noted that according to the Results of the 2016 Population By-census, the population of seven districts had exceeded the projected mid-year population for 2019. As the Planning Department compiled the projected mid-year population for 2019 in various districts on the basis of the Results of the 2016 Population By-census, which was not available until mid-2018, we could not use the latest figures.

In view of the above special situation, we had adopted a more lenient approach in the review, i.e. by using the actual figures of the 2016 Population By-census and the projected mid-year population for 2019 at that time (whichever was the greater), we drew the conclusion that there should be 21 additional seats. Therefore, we had adopted the most lenient approach based on the available statistics and had also taken the actual situation into account. We hope that Members will understand our practice.

Concerning the determination of the number of seats, we conducted a review under the existing mechanism and arrived at the number. Of course, as the population of Hong Kong continues to increase in the future, we have to consider how the number of elected seats should be determined. We agree that there is a need to improve the mechanism for determining the number of elected seats in the seventh DC and during the review, we will also consider the proposals raised by Members just now.

On the second issue, after we have determined the overall number of elected seats, EAC will carry out the delineation of DCCAs in accordance with the statutory requirements. There are explicit standards and EAC will conduct public consultations according to statutory requirements to collect different opinions. It will make final recommendations after taking on board various representations.

A Member has just asked if the delineation of DCCAs was purely done in the office. In fact, EAC has treated each case very seriously and when required, it would carry out on-site inspections to ensure that the recommendations suit the situation of the constituency. When delineating DCCAs, EAC has followed the statutory criteria set out in the Electoral Affairs Commission Ordinance, so as to ensure that the population of each constituency is as close to the population quota as possible. If this is not feasible, it must ensure that the population should not deviate from the population quota by more than 25%. The statutory criteria are
set out in the EAC's report. In addition to statutory criteria, EAC will also follow the established code of practice in delineating DCCAs. The code of practice is also included in the EAC's reports.

The final formal recommendations made by EAC after considering the views of various parties, as well as the factors for considerations and views on the recommendations made in respect of each constituency are contained in the report. It is hoped that the whole process is open and transparent. We have listened carefully to different opinions and have complied with the statutory requirement that the population in each constituency should generally not deviate from the population quota by more than 25%. However, when it is necessary to take into consideration community identities, local ties and physical features of the districts, we would consider allowing the population of some constituencies to deviate from the population quota by more than 25%, with a view to being fair, open and transparent. Of course, we understand that any delineation proposal will attract many different opinions and this seems inevitable. However, we hope that there are clear guidelines on the mechanism, system and operation, and all parties will be aware of the implementation details of the proposals.

Just now, Mr CHAN Han-pan mentioned the areas where improvement could be made to the objection mechanism of voter registration. In fact, we have actually dealt with the matter when dealing with another Bill, and the Bill was passed by the Council. We will continue to make efforts to deal with any improvement proposals that are feasible.

Deputy President, after the completion of the negative vetting procedure of the Legislative Council on 6 February, the Declaration Order will be implemented from 1 March. As always, we will continue to work closely with EAC to work out practical arrangements to ensure that the 2019 DC Ordinary Election will be held in a fair, open and honest manner in accordance with the relevant legislation.

Deputy President, I so submit. Thank you.
MR AU NOK-HIN (in Cantonese): Deputy President, I thank you for giving me an opportunity to explain and elucidate under Rule 38(3) of the Rules of Procedure. Mr LAU Kwok-fan and Mr CHEUNG Kwok-kwan, who are concurrently District Council members, have mentioned my name but I think that they have misunderstood me in some ways, and I would like to elucidate.

First, when I spoke just now, I did not mean to argue that delineation of constituency boundaries would affect the outcome of elections, nor did I intend to, as in the case of some Members, voice the grievances of my comrades who have become victims. Second, if they had listened carefully to my speech, they would have known that my request was that the Electoral Affairs Commission should fully consider the factor of community integrity. Third, if I have not clearly quoted the academic articles and caused misunderstandings, I apologize to them, but I want to elucidate that the focus of my speech is on community integrity, population computation methods and the need for additional seats.

I so submit.

(Mr CHEUNG Kwok-kwan indicated his intention to speak)

DEPUTY PRESIDENT (in Cantonese): Mr CHEUNG Kwok-kwan, what is your point?

MR CHEUNG KWOK-KWAN (in Cantonese): Deputy President, I seek to make an elucidation.

DEPUTY PRESIDENT (in Cantonese): You can elucidate the part of your previous speech which has been misunderstood, but you shall not raise new comments.

MR CHEUNG KWOK-KWAN (in Cantonese): Mr AU Nok-hin misunderstood that I had misunderstood him. I did quote one of his remarks, i.e. the law specified that the population in a constituency should not deviate from the population quota by more than 25%. I have not quoted any other remark of his.
DEPUTY PRESIDENT (in Cantonese): In accordance with Rule 49E(9) of the Rules of Procedure, I will not put any question on the motion.

DEPUTY PRESIDENT (in Cantonese): Debate on motion with no legislative effect. Motion on "Promoting the development of a financial technology hub to reinforce Hong Kong's position as an international financial centre".

Members who wish to speak please press the "Request to speak" button.

I call upon Mr CHAN Chun-ying to speak and move the motion.

MOTION ON "PROMOTING THE DEVELOPMENT OF A FINANCIAL TECHNOLOGY HUB TO REINFORCE HONG KONG'S POSITION AS AN INTERNATIONAL FINANCIAL CENTRE"

MR CHAN CHUN-YING (in Cantonese): Deputy President, I move that the motion, as printed on the Agenda, be passed. Financial technologies ("Fintech") generally refers to the application of technologies in financial services, whereby technology is used to innovate financial products, change operation modes and streamline business processes so as to offer clients a better user experience. In recent years, Fintech has been developing rapidly like a wildfire. Thanks to acceleration of iteration, popularization of the use of Fintech, globalization of markets, provision of real-time services, technological conversion of elements, etc., Fintech has gradually become the newest driver and growth area of global financial and economic developments.

Fintech can add value to financial services, which will play a positive role in reinforcing and raising Hong Kong's position as an international financial centre. In recent years, due to the Government's active promotion, Hong Kong's Fintech development has also been catching up expeditiously. Last year, the Hong Kong Monetary Authority ("HKMA") released the Open Application Programming Interface for the banking sector to prepare Hong Kong for a new era of Smart Banking. HKMA will issue the first batch of virtual banking licences in this quarter; at the end of last year, eTradeConnect, a large-scale inter-bank and inter-enterprise blockchain-based platform, has also been commissioned, indicating growing popularization and application of Fintech.
The motion on "Promoting the development of a financial technology hub to reinforce Hong Kong's position as an international financial centre" that I move today seeks to urge the Government to adopt effective measures to entice Fintech enterprises and talents to establish their bases in Hong Kong, encourage local tertiary institutions to offer more professional Fintech courses and increase the Fintech adoption rate in society as a whole, so as to comprehensively accelerate the pace of Hong Kong's Fintech development and reinforce Hong Kong's position as an international financial centre.

Deputy President, I believe that the financial sector is unquestionably important to Hong Kong because it not only accounts for about 18% of Hong Kong's Gross Domestic Product ("GDP"), but its per capita GDP is also the highest among all sectors. The Global Financial Centres Index published by the United Kingdom finance think tank Z/Yen Group and the China Development Institute last year ranked Hong Kong in the third place just after London and New York. However, as we are also aware, given the extremely intense competition among global financial centres, it is necessary for Hong Kong to progress with the times in order to maintain its current leading position. Otherwise, Hong Kong will fall behind very easily.

Although Hong Kong's Fintech development scale has not been very noticeable so far, we still have quite a few favourable conditions for developing Fintech. The Connecting Global FinTech: Interim Hub Review 2017 published by Deloitte ranked Hong Kong the sixth most important Fintech hub in the world. The Global Innovation Index 2018 also ranked the Shenzhen-Hong Kong technology cluster, formed by the innovation and technology sectors of Hong Kong and Shenzhen, the world's second largest technology cluster. The country has also fully affirmed Hong Kong's possession of solid technological foundation and high-quality talents and supported Hong Kong's development into an innovation and technology centre. Statistics have also shown a persistent upward trend in the amounts of Fintech investment acquired by Hong Kong, from only US$108 million in 2015 to US$546 million in 2017.

Same as the traditional banking industry, Fintech relies on talents for rapid development. However, there is currently a shortage of Fintech talents around the world, and Hong Kong is of no exception. According to the findings of the Talent Development Survey published by the Hong Kong Institute of Bankers in December last year, as high as 97% of respondents agreed that banking
practitioners should enhance Fintech capabilities, but only 44% had taken relevant training courses. The survey has also found that 63% of respondents saw a serious skills gap in the local banking industry, particularly in the two areas of Fintech and cyber-security. In order to narrow the skills gap, 55% of respondents believed that internal training had to be provided by banks and financial institutions, while 20% of respondents considered it necessary to admit relevant experts from outside Hong Kong.

In recent years, universities in Hong Kong have successively launched Fintech-related courses. However, as the demand for the places far exceeds the supply, the number of graduates trained each year has been very limited. Since manpower training takes time, the supply of talents has failed to meet the current market demand in a timely manner. Frankly speaking, the internal training provided in the industry is just at its initial stage. To develop Fintech, Hong Kong must expedite the training of local talents and attract talents from other regions at the same time.

Deputy President, quite a number of Fintech-related studies have suggested that the following few elements are essential for the development of a Fintech hub: markets, talents, capital, government support and regulatory regime. In my view, whether the Government will adopt a proactive attitude, formulate forward-looking policies and take sustainable actions are the key factors for determining whether Hong Kong can promote continuous development of Fintech.

Next, I would like to discuss a few points. First, I would like to comment on the Government's policies on Fintech, which I would describe as "chicken ribs". On taxation arrangements, the Legislative Council passed the Inland Revenue (Amendment) (No. 3) Bill 2018 last year, under which qualifying expenditures on research and development ("R&D") and on related activities are eligible for super (i.e. double) tax reduction. However, as I had pointed out at the relevant Bills Committee, whenever a financial innovation is introduced, the financial sector would be required by the regulatory body (i.e. HKMA) to arrange for a third-party professional body to give advice and conduct tests, but the fees for those tests will not be eligible for super tax reduction. In addition, the expenditures on joint R&D projects (i.e. financial innovations) by financial institutions and their parent companies located outside Hong Kong are also unlikely to qualify for full tax concessions.
On the other hand, the Hong Kong Cyberport Management Company Limited has also launched the "Easy Landing" Scheme to entice multi-national companies to set up offices in Cyberport with a rental concession policy. However, as I had pointed out at a meeting of the Panel on Information Technology and Broadcasting, the Government has put forward a proposal to offer eligible companies a rental concession of $1 million or 50% of the rental for a period of up to five years. In the eyes of leading Internet enterprises and Fintech companies, I believe that this subsidization measure is in fact insignificant. How can these enterprises be convinced to establish their bases in Hong Kong?

I agree that it is difficult to tactfully formulate attractive policies while not being criticized for transferring benefits. Nevertheless, I still hope that the Government will be committed to introducing reasonable and justifiable subsidization measures, such as tax concession, which can meet the challenges in order to attract local and overseas financial institutions to continue to jointly conduct R&D with Fintech companies.

Secondly, I would like to discuss the Fintech regulatory regime. While stringent regulatory legislation will restrict the room for innovation, haphazard relaxation may also attract overseas enterprises with practical market experience and know-hows to vie with each other to propose innovation proposals, creating chaos in the market. A typical example is crowd-funding for virtual currencies or relevant activities. In my view, this type of financial products should be carefully studied by regulatory bodies before being allowed to enter the public market. For this reason, I propose relaxing the regulation in an orderly manner to serve the best interest of Hong Kong's Fintech development. Regulatory bodies should, under a controlled environment, gradually relax or amend the current regulatory legislation in order to support and promote accelerated innovation of the local banking industry.

The Fintech Supervisory Sandbox ("FSS") launched by HKMA in 2016 is a very good attempt. FSS allows banks and their partnering Fintech firms to conduct pilot trials of research projects, without the need to achieve full compliance with HKMA's compliance requirements. So far, about 40 technological deliverables have been tested. I suggest further expanding the scope of the FSS scheme by, for example, encouraging local financial institutions to step up cooperation with their counterparts in other regions, and extending the pilot area to other neighbouring technologically advanced regions, such as the Qianhai area in Shenzhen.
Third, perfect the Fintech ecosystem. To develop a Fintech cluster, the formation of cohesion is a very important factor. Singapore's Fintech hub LATTICE80 occupies an area of 30 000 sq ft; Hong Kong's Cyberport currently provides four office buildings with an area of over 90 000 sq ft, but tenants are not limited to Fintech companies. The Government may stress that these Fintech enterprises may choose to station in Cyberport, the Hong Kong Science Park or the future Lok Ma Chau Loop. However, the planned sites are too scattered. I hope that the Government will deepen R&D on Fintech and the long-term planning of office parks, and provide R&D locations which are more concentrated.

Timely protection of Fintech's R&D deliverables by a government is also one of the important incentives. The Intellectual Property Office of Singapore has launched a service known as the FinTech Fast Track Initiative to significantly reduce the long time needed for processing Fintech patent application in the past, shortening the target time from two to four years to within half a year. I hope that the Government will also review and shorten the time needed for processing Fintech patent application so that Hong Kong will not lag behind in this regard.

Fourthly, allocate additional resources to technological research infrastructure and manpower training. The IMD World Talent Ranking 2018 has identified Europe as the place with the most competitive talents. What the European nations have in common are their high investments in education and their quality of life. Hong Kong's investments in R&D have all along been remarkably lower than those of other countries and regions. Although the SAR Government has set a target to raise R&D expenditure to 1.5% of GDP by 2022, the Government does not always have much confidence in achieving it. If the Government is willing to take the lead in increasing investments in technological research infrastructure and manpower training, I believe that it will not be difficult to achieve the targeted ratio.

Fintech R&D requires substantial expenditure. The willingness of enterprises to allocate such huge amounts of resources in the long run depends on whether R&D can achieve remarkable results. The FSS I mentioned just now is a good example which can expedite the launch of bank products, gauge market reaction and reduce the risks of new products. However, I hope that the Government can provide more Fintech infrastructure and support. Examples of Fintech infrastructure include the Know Your Customer Utility ("KYCU") platform—a centralized customer database currently being developed—and a
credit database operated by commercial institutions. What is noteworthy is that KYCU is currently targeted at enterprises but not individuals. The Government should take the lead in turning KYCU into a public service in order to boost public confidence and enable the sector to shift their attention to Fintech R&D and increase investments in customer service.

In addition, when developing university curriculum, the Government should integrate STEM (Science, Technology, Engineering and Mathematics) education curriculum and the Fintech industry through a collaboration programme in order to provide more training options. This is also a recommendation made by a survey on global shortage of Fintech talents conducted in 2017.

Meanwhile, although Fintech is a product of the information technology age, long-time practitioners of the industry can also help address the shortage of Fintech talents as long as they are given appropriate training. In Singapore, the National Trades Union Congress, polytechnics and Fintech association have launched Fintech training programmes since 2017. I urge the Government to, in collaboration with the industry, expeditiously offer online courses tailored to the industry's needs and award appropriate qualifications and professional recognition to enable bank employees to arrange their learning time with flexibility, engage in self-improvement and cope with the changes in the technical requirements in the industry. In addition, the Government should also expeditiously admit talents from other regions, with particular emphasis on Fintech talents. Only with this two-pronged approach can the current talents gap be possibly plugged.

Deputy President, not only can Fintech facilitate the evolution of smart products and services which will benefit the financial industry, Fintech application will also enable financial services to infiltrate into the life, consumption, travel, etc. of the public, thereby achieving financial inclusion.

I will stop here for the time being. I hope to listen to the views expressed by other Members on the motion first. Thank you, Deputy President.

Mr CHAN Chun-ying moved the following motion: (Translation)

"That it is stated in the Chief Executive's 2017 Policy Address that 'as an international financial centre with a highly-developed information and communication technology sector, Hong Kong is an ideal place for the
development of financial technologies'; in this connection, this Council urges the Government to adopt effective measures to entice financial technology ('Fintech') enterprises and talents to establish their bases in Hong Kong, and encourage local tertiary institutions to offer professional Fintech courses, so as to increase the Fintech adoption rate in society."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr CHAN Chun-ying be passed.

DEPUTY PRESIDENT (in Cantonese): Five Members will move amendments to this motion. This Council will conduct a joint debate on the motion and the amendments.

DEPUTY PRESIDENT (in Cantonese): I will call upon Members who will move the amendments to speak in the following order: Mr CHAN Kin-por, Mr Charles Peter MOK, Mr Dennis KWOK, Mr WONG Ting-kwong and Mr Christopher CHEUNG, but they may not move the amendments at this stage.

MR CHAN KIN-POR (in Cantonese): Deputy President, the development of financial technologies ("Fintech") in Hong Kong has been relatively slow in the past. However, in the recent two years, thanks to vigorous promotion by various sectors, Fintech has seen rapid development in a wide range of areas, including big data, blockchain, mobile payment, cyber security, artificial intelligence ("AI"), programme trading, etc. At present, 500 Fintech companies have already established their bases in Hong Kong, with amounts of investment far exceeding those of our competitor Singapore, bearing testimony to Hong Kong's extremely high potential for Fintech development.

In the past, Hong Kong had developed quite a few industries, which had all fizzled out despite having a strong start. However, I have full confidence in our Fintech development. As an international financial centre, Hong Kong itself is an extremely fertile ground for developing Fintech. Given the support of the Government, members of the financial industry can definitely use Fintech to further develop and strengthen Hong Kong's financial industry, which will be expected to become a new growth area of the Hong Kong economy and
significantly raise our competitiveness. Such developments will be very good news to Hong Kong. However, as far as practitioners of the financial industry are concerned, this may not be something which they can take delight in.

In fact, Fintech development represents a restructuring of the financial industry. As Fintech continues to grow, the restructuring of the industry will become faster. By then, there will be a sea change in the operation mode of the industry. Fewer workers will be needed for certain job types, which will even face extinction. Therefore, one main part of the amendment I have proposed is to urge the Government to offer retraining courses for financial industry practitioners to enable them to adapt to new developments in Fintech.

I am not scaremongering. Recently, renowned AI expert LEE Kai-fu said in the interview with the United States current affairs program 60 Minutes that about 40% of jobs will be replaced by AI in 15 to 20 years. According to LEE Kai-fu, AI would definitely turn the world upside down by ushering in unprecedented economic imbalance and even changing the global landscape of power, which would inevitably create an impact on employment.

Europe and America have already started to develop Fintech a few years ago. Quite a number of their analysts have suggested that many frontline jobs in the financial industry may be displaced due to Fintech development. For example, comprehensive online selling or electronic trading services can be directly delivered to customers, replacing a large number of frontline salespersons; the electronic platform services provided by various financial institutions, such as the "e-MPF" centralized electronic platform which is being developed, will also displace a large number of clerical staff. Some experts have even speculated that computer-based financial consultants, which are being developed, will also replace human financial consultants. In the future financial industry, customers will directly communicate with computers for a great amount of services which are currently provided by humans. Of course, this problem will not be confined to the financial industry. In various sectors and industries, AI will also result in loss of jobs which will become the problem facing the community in the future.

A few years ago, while urging the Government to develop Fintech, I have also stressed the need to take into account the job security of financial industry practitioners. That said, we still need not be overly pessimistic. Despite the loss of frontline positions, the change in the operation mode of the industry will
still create more new job positions. Meanwhile, as the financial industry continues to grow, we will need more professional logistic support services. Take the insurance industry as an example. While developing international insurance businesses, we will need more professionals to deal with claims management, underwriting and risk management, meaning more positions will be created. Therefore, I hope that the Government will further study the changes in the manpower demands and job positions of the financial industry in the next 10 years and formulate retraining programmes to assist capable employees in shifting to new positions in other financial sectors. For those employees who cannot adapt to the new development, the Government should also assist them in switching to other industries instead of leaving them victimized by technological development.

Deputy President, the insurance industry is also actively developing Fintech. Various insurance companies are making efforts to introduce the application of Fintech in different areas, such as sales, underwriting, claims management, customer services, etc. While such efforts are currently at an early stage, I believe that concrete results will be seen in the near future. In addition, I would also like to talk briefly about the development of the insurance industry as a whole, including some work relating to the use of technology to protect consumers. The Hong Kong Federation of Insurers ("HKFI") has recently launched the Motor Insurance DLT-based Authentication System ("MIDAS"), under which blockchain technology is used to authenticate insurance policies. In the past, some unscrupulous intermediaries sold fake insurance policies at the expense of car owners. I believe that a great majority of insurance companies will join MIDAS in the future, and specific QR Codes will be printed on insurance policies. When members of the public go to the Transport Department to register a transfer of ownership, they can authenticate insurance policy by using QR Code in real time in order to avoid being deceived.

In addition, HKFI has also introduced the Insurance Fraud Prevention Claims Database ("IFPCD") to apply the most advanced AI application in testing and preventing frauds. Insurance frauds have all along been very rampant around the world, resulting in huge losses to the sector and consumers; and it is estimated that the United States is suffering from an annual loss of US$80 billion. While relevant statistics are not available for Hong Kong, it is estimated that frauds here also involve a significant amount. We must understand that insurance companies are only managers of premiums. The insurance payments lost to fraudsters are in fact the premiums paid by the insured. In the end, the
losers are not only the insurance industry but also policyholders in the community. Therefore, it is necessary to crack down on insurance frauds. IFPCD has adopted advanced AI to assist insurance companies in expeditiously handling claims and detecting insurance frauds. AI algorithms are used to analyse information on frauds and claims in order to identify suspected and abnormal cases. The insurance companies concerned will then be reminded to conduct further investigations to verify the legality of claims before taking appropriate actions. IFPCD will cover car, medical and personal accident insurances at the first stage, and will be extended to other types of insurance such as life and travel insurances. At present, the same AI technology has been adopted by such places as Singapore and France.

In addition, HKFI is actively promoting the Greater Bay Area Health Insurance Connect scheme which seeks to assist insurance companies in selling medical insurance products to residents of the Greater Bay Area through a comprehensive online platform. However, this proposal is still awaiting approval by the Mainland authorities; I believe that we have to wait for the right timing. In my view, the development of the Greater Bay Area will be an important direction for the industry in the future; and Fintech will also be an important tool for opening up the Greater Bay Area market.

While the insurance industry will continue to promote Fintech development, it also hopes to get support from the Government. In particular, the afore-mentioned projects on protecting consumer rights and interests and promoting the overall development of the industry require additional government assistance and support. In addition, quite a number of small and medium enterprises in the industry have encountered difficulties in applying Fintech, such as the problem with resources; they need government assistance more than the others. Hence, I hope that in promoting Fintech development, the Government should not only formulate policies, but also take the initiative to help the industry remove obstacles in applying Fintech.

I so submit.

MR CHARLES PETER MOK (in Cantonese): Deputy President, to start with, I would like to thank Mr CHAN Chun-ying for moving the motion on "Promoting the development of a financial technology hub to reinforce Hong Kong's position as an international financial centre". The term "financial technology"
("Fintech") may sound simple, but from the earlier speeches, we know that it actually covers an extensive scope. Currently, many countries and cities around the world are working on the promotion of Fintech. Hong Kong, as an international financial centre, must work even harder. Our competitors, especially New York, London and Singapore, are all promoting Fintech very actively.

Singapore started to promote Fintech as early as in 2015. It has taken the initiative to create new markets, attract talents and resources, with a view to developing Singapore into the Fintech capital of Asia. By comparison, though Fintech development in Hong Kong is not too slow, it is by no means rapid. In September 2017, under the so-called "CHAN's seven strokes", the development of Fintech in Hong Kong has started to take a step forward. However, "CHAN's seven strokes" were initiated by the Hong Kong Monetary Authority ("HKMA"). As we all know, apart from HKMA, there are two other regulatory authorities in Hong Kong, namely the Securities and Futures Commission and the Insurance Authority. Therefore, Hong Kong is really a bit slow in promoting Fintech.

Singapore has adopted a "three-in-one" approach under which one monetary authority is tasked to oversee several areas of work. In terms of overall development, Singapore's current international ranking is slightly higher than that of Hong Kong. Of course, we do not want Hong Kong to fall behind our competitors; therefore, I have put forward some specific proposals in my amendment to suggest the efforts needed for Hong Kong.

First of all, Hong Kong has to develop an Open Application Programming Interface ("API"). While Hong Kong has just rolled out its work in this area, the monetary authority of Singapore has devised relevant standards and policies since 2016, and has issued detailed guidelines on the use of Open APIs for banks. A number of banks in Singapore have already provided API online platforms to developers. Hong Kong is two years behind in this area. HKMA announced the API framework in July 2018 after consultation and has taken forward its plan step by step. Twenty banks are expected to provide 500 Open APIs by the end of this November to cover information of more than 100 products, including loans, savings, foreign exchange and investment products. However, as our API implementation is limited to the provision of existing information or product information, many people hold that Hong Kong may only be in the first phase of API development, falling far behind leading countries such as the United Kingdom. Given that API can facilitate the opening up of market and financial inclusion, Hong Kong must step up its relevant efforts.
Secondly, the current support for blockchain is still quite inadequate in Hong Kong. As Singapore is one of the countries or cities with the most rapid blockchain development in the world, it has already formulated relatively detailed rules to regulate the use of blockchain. It has also promoted the development of blockchain through different initiatives, such as shortening the time required for the application for blockchain patent, organizing competitions and providing government funds. The monetary authority of Singapore has also cooperated with the banking sector to explore how the distributed ledger technology can be applied in payment, security clearing, and so on. Despite our recent launch of a cross-bank blockchain-based trade finance platform, the development of blockchain in Hong Kong is still limited in scope on the whole.

HKMA has started to explore the development and application of regulatory technology ("Regtech") and supervisory technology ("Suptech") through opening its supervisory sandbox, studying the improvement in the collection of regulatory data, using big data and artificial intelligence ("AI") for analysis and automating procedures. For comparison's sake, the monetary authority of Singapore set up designated teams under its Data Analytics Group in 2017 to regulate the use of technology. Hong Kong must work harder to catch up.

Moreover, rules and regulations should be updated. Singapore is the first in Asia and the first three in the world to use supervisory sandboxes. Of course, Hong Kong also has supervisory sandboxes but, for most of the time, our regulatory authorities only allow existing institutions or licensees under their regulatory purview to use the sandboxes with partnering technology firms. As for ordinary technology firms, it is not easy for them to gain access to the sandboxes. By contrast, Singapore has recently allowed virtual asset companies, some of which do not even have licences, to apply for the use of sandboxes. In this regard, Hong Kong may not be willing to adopt this practice.

(THE PRESIDENT resumed the Chair)

In respect of the licensing of virtual banks, Hong Kong has outpaced Singapore as the first batch of licences are expected to be issued in the first quarter of this year while Singapore has yet to provide "Internet-only" banking services. The trade, however, is worried about whether the licences of virtual
banks will only be issued to existing bank operators, setting barriers to new entrants as a result. The trade has raised this concern because some start-ups have been informed in writing that they are not eligible to apply for such licence. Yet, the Government and HKMA should understand that the entry of new competitors to the market (especially the market of virtual banks) must be allowed to achieve financial inclusion.

Both Singapore and Hong Kong have provided Fintech support to start-ups in particular. In Hong Kong, Cyberport provides relevant support and InvestHK has set up dedicated teams for this purpose too. Nevertheless, many trade members consider the support in Singapore more down-to-earth because Singapore will spend HK$120 million—in the form of cash input—by 2022 to facilitate the restructuring of the conventional financial industry, thereby attracting talents to the industry. Also, Singapore will give financial support to Fintech trial projects by providing each project with a maximum of HK$1.1 million to cover at most 50% of its costs. In addition, Singapore has approved the provision of $180 million to promote technological innovation, facilitating major banks and large technology firms in Singapore to establish in-house innovation laboratories and provide Fintech services which can readily be used by the public.

In respect of talent training, the Hong Kong Government has introduced programmes such as the Quality Migrant Admission Scheme and Postdoctoral Hub while HKMA has introduced graduate and internship programmes. Regrettably, these programmes do not have specific targets but are implemented simply to meet general needs. By contrast, Singapore has adopted a target-oriented approach by, for instance, equipping financial practitioners with technological skills on a continuous basis under the SkillsFuture movement. As early as in 2013, the Singaporean Government started to train Fintech talents with the academia; in 2016, it even signed memoranda of cooperation with five local polytechnics to introduce new courses. Although Fintech courses are also offered by various universities in Hong Kong, they do not seem to be under regulation. Besides, the universities in Hong Kong have not worked in concert with the Government to promote Fintech development.

Cyber security is another key issue. HKMA did launch a series of initiatives, including the Cybersecurity Fortification Initiative in May 2016, to plug security loopholes, but it did not consult the information technology and security sector in the initial stage. It was only after such initiatives had been put into practice that stakeholders could gradually agree on certain standards and
plans. At present, some industries are plagued by security problems such as the personal data privacy issue. In the recent TransUnion incident, it seems that the Government has failed to realize the importance of regulation but holds that these problems can be handled by the Privacy Commissioner for Personal Data. Knowing that the Personal Data (Privacy) Ordinance is a "toothless tiger", the Government still considers that the privacy issue can be handled by the Commissioner without imposing any specific regulation on the industry. As the three regulatory authorities in the industry can regulate licensees in a more direct manner, I very much hope that the Government will revisit this issue and, in particular, strengthen its participation to enhance consumer confidence in the local financial industry.

Lastly, I have to briefly talk about the problem of opening bank accounts. In our meetings with Fintech companies, many of them have told us that they are still troubled by this problem, not to mention the lack of government support or talents. Their biggest problem is that they cannot even open a bank account. Recently, financial institutions in Singapore have clearly stated that they will provide direct assistance to virtual currency or asset companies to solve the problem of failing to open a bank account. On the contrary, Hong Kong is so passive that companies facing the same problem are asked to call the HKMA's hotline.

President, although Hong Kong is doing quite well in the promotion of information technology, we must work harder to survive the competition.

MR DENNIS KWOK (in Cantonese): President, I have proposed an amendment because I wish to bring in the elements of the rule of law and legal system to our discussion today.

Why do I do so? The reason is simple. When I visited the United States last month, I had the opportunity to go to New York and meet with people from a number of large financial institutions, discussing with them the situation of Hong Kong and China and giving my analysis. Many of these people are familiar with the principle of "one country, two systems" and the rule of law in Hong Kong. They told me their worries about the daunting challenges facing "one country, two systems" and the rule of law in Hong Kong, as well as their grave concerns over whether Hong Kong, as an international financial centre, could continue to deal with its affairs genuinely according to the principles of "one country, two systems", "Hong Kong people ruling Hong Kong" and the rule of law.
I believe many people, including the Secretary, understand that our foundation of the rule of law is the very factor which entices foreign investors (including financial institutions in the United States and other countries) to set up their investment bases in Hong Kong. I must bring out this point in the current debate and remind the Bureau that the leading position or impressive performance of Hong Kong in financial technology or other areas cannot change the fact that foreign investors will not invest in Hong Kong or set up their bases in this international financial centre unless they have confidence in our legal system.

I would like to divide my discussion into two parts. In the first part, I am going to discuss the importance of the rule of law in Hong Kong; and in the second part, I will illustrate the fact that Hong Kong actually lags far behind in many of our rules and regulations. I would like to put forward six proposals in this regard.

Speaking of the general environment, I recall that the stock market of Shanghai experienced a slump in 2015. Before that, many people, including Mainland officials, claimed that it would be easy for China to create 10 Hong Kong in the Mainland or for some Mainland cities to take the place Hong Kong as an international financial centre. However, after the 2015 Shanghai stocks crash, I have no longer heard anyone, including people from the Mainland, say that it is easy to take the place of Hong Kong. People stop making this claim because anyone with some common sense will know that it is not easy for any Mainland cities to replace Hong Kong as an international financial centre. There are four factors supporting Hong Kong: firstly, the free flow of information; secondly, the free flow of capital; thirdly, the free flow of talents; and fourthly, the rule of law in Hong Kong. Therefore, we must strengthen these four factors to make sure that they will not be undermined in any way; we must also stop the Hong Kong Government from taking the lead to undermine these four critically important factors.

President, apart from emphasizing the importance of the rule of law, I also said just now that we have put forward to the Bureau a myriad of law reform and regulatory proposals. Firstly, we have proposed to develop Hong Kong into a debt restructuring centre in the Greater China region. Why is it that London is the debt restructuring centre in Europe and New York the debt restructuring centre among its neighbouring countries and regions? That is because they have gone through the necessary law reforms. How can we attract large foreign companies to make use of our legal and financial services, thereby developing Hong Kong into a debt restructuring centre? This proposal is raised by an
organization called "COINS". Its members are a group of lawyers, accountants and senior practitioners (including judges) who specialize in debt restructuring in Hong Kong. COINS has proposed recommendations on how Hong Kong should reform its existing laws on debt restructuring. These proposed legislative amendments are indeed neither extensive nor substantial, but this law reform, if implemented, will allow Hong Kong to turn into the debt restructuring centre in the Greater China region. By then, many Mainland companies can make use of our debt restructuring services.

In order to promote this proposal, I visited the Bureau with trade members last year to meet with the Deputy Secretary. I know that the Bureau is still considering the proposal. I hope that after this law reform, Hong Kong will have more business and job opportunities and will reinforce its position as an international financial centre, especially as Asian's international financial centre. I also hope that the Bureau, after finishing its work on corporate rescue … I know that the Government is eager to expedite its work in introducing a bill on corporate rescue to the Legislative Council by the end of this year. I hope that the Government will, after finishing this task, review the laws on debt restructuring as soon as possible, so as to develop Hong Kong into a debt restructuring centre, particularly a debt restructuring centre in the Greater China region. This task is so important that we must carry out the relevant law reform.

Recently, I have also met some private equity fund professionals and lawyers and learnt from them that private equity funds have great development potentials in Hong Kong. A few years ago, the Legislative Council approved some tax concessions for private equity funds and offshore private equity funds; however, according to these professionals and lawyers, the Limited Partnerships Ordinance is outdated, especially in respect of taxes on capital. Under the existing Ordinance, companies are required to pay 0.8% of taxes on capital. Owing to this statutory requirement in Hong Kong, many private equity funds, though interested in getting registered in Hong Kong, did not do so. Take the Mainland for example, many of its private equity funds are registered in the Cayman Islands or other tax havens but that is not what they want because, nowadays, many regulatory authorities do not want private equity funds to register offshore but to register in Hong Kong, a place with mature regulatory system and sound legal system. In this connection, will the Bureau consider how it can attract more private equity funds to register in Hong Kong? For example, will it reform our outdated legislation and introduce other appealing measures?
In the remaining two minutes, I will go through a number of issues quickly. With regard to crowdfunding, the Financial Conduct Authority in the United Kingdom published a detailed report on crowdfunding in 2015 to set out how regulation should be imposed, how crowdfunding platforms should be set up in the financial market and how investors' confidence in such platforms can be built up. I urge the Securities and Futures Commission ("SFC") to step up its efforts in this regard. I welcome the regulatory approach for virtual assets proposed by SFC lately. I, Mr Charles Peter MOK and some other Members have followed up on this issue for a few times; we are happy to see that the efforts of SFC and hope that it will continue to strengthen its regulation in this respect. Since the confidence of investors lies in regulation, a lack of regulation is not conducive to the development of the industry. As a licence is the proof that a particular product has been approved by SFC, licensing can also help promote the development of our financial industry.

I would also like to mention a few more points, such as the initial coin offering, i.e. the development of virtual currency. Can virtual currency be officially issued in Hong Kong? Can its issuance be put under regulation? I call for regulation—but not excessive regulation—because investors will have confidence when regulation is imposed. Moreover, Singapore has outperformed Hong Kong in the automated trading service and blockchain for bond trading. As Mr Charles Peter MOK said just now, Singapore has edged ahead of Hong Kong in the development of automated trading service and blockchain for bond trading. We must review our regulatory system in these two areas. How can our legislation facilitate the development of such businesses? How can our legislation build up the confidence of investors? To achieve these, Hong Kong must carry out legal and regulatory reforms. That is also why we have to discuss this subject today.

President, I so submit.

MR WONG TING-KWONG (in Cantonese): President, I thank Mr CHAN Chun-ying for moving the motion on "Promoting the development of a financial technology hub to reinforce Hong Kong's position as an international financial centre".

Financial technology ("Fintech") has driven financial innovations around the world and changed traditional business models as well as users' expectations of payment and financial services. Hong Kong, being one of the major financial
centres in the world, must continue to upgrade our Fintech and expand its application to form new growth area in our financial industry whilst establishing our position as a Fintech hub.

As we all know, Fintech can be applied to a range of financial services such as payment and remittance, product investment and distribution, robo-advice and peer-to-peer financing, bringing numerous business opportunities to the industry. Meanwhile, cybersecurity and data security, big data analytics and Blockchain technology may also be put to wider use in the industry.

Owing to the development of Fintech, more newcomers and start-ups may now join the financial service market. Meanwhile, existing financial institutions may use Fintech to enhance service efficiency, benefiting consumers, merchants and enterprises.

On the other hand, Fintech can be applied by regulatory authorities and financial institutions to support their existing regulatory and compliance procedures, enhance compliance efficiency with new requirements, and conduct monitoring tasks and data analysis.

After the global financial crisis, in order to strengthen regulation to lower the risk of another crisis amid rapid financial development, regulatory guidelines for banks have inevitably increased and become more complicated. In addition, these guidelines will be updated from time to time to tie in with new development. As it takes a lot of manpower for banks to follow up on and address the changes in guidelines, there is a trend for banks to make use of new technology. These technology solutions are usually known as regulatory technology ("Regtech") and supervisory technology ("Suptech"), with the users of the former being financial institutions and the latter regulatory authorities. Both Regtech and Suptech solutions use technology (e.g. machine-readable technologies now considered to be adopted by the trade) to enhance supervisory and regulatory efficiency, and they are often collectively known as Regtech. According to a relevant market analysis, there are more than 200 Regtech companies around the world and in 2017, the total investment in Regtech amounted to US$1 billion, showing huge market demand and development potential.

After introducing initiatives for Hong Kong to move into a New Era of Smart Banking and promote the application of Fintech in banking products and services last year, the Hong Kong Monetary Authority ("HKMA") stated that it
would work on Regtech this year. To help develop the Regtech ecosystem, HKMA will open its Sandbox to banks and technology firms, so as to test their Regtech projects or ideas. Meanwhile, it will study how Regtech can be adopted for anti-money laundering and counter-financing of terrorism, prudential risk management and compliance, as well as machine-readable regulations. HKMA will also explore the use of Suptech to enhance the efficiency and effectiveness of its supervisory process.

President, in recent years, incidents involving hacking or massive leakage of personal data have happened frequently online. In late November last year, TransUnion Limited—which holds credit data of more than 5 million people in Hong Kong—as well as its online consumer credit report services provided in collaboration with a third party were found to have serious security loopholes, causing the leakage of credit records of the Chief Executive and other principal officials. As institutions like TransUnion Limited maintain massive personal data but do not seem to have high system security, members of the public are rather unhappy with these incidents and even wonder if there should be legislation to directly regulate credit data companies and limit their collaboration with third parties so as to strengthen regulation of these companies. Meanwhile, these incidents have caused increasing concern over cyber security and regulation. The Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") thus hopes that the authorities will draw reference from foreign countries and places to ensure sufficient protection for consumer rights and stability of the development of financial market.

President, I think there is still a long way to go before we can develop Hong Kong into a Fintech hub by capitalizing on our well-developed information and communications technology industry and other advantages. However, at the present moment, the Government should take the following measures in an active manner:

(a) apart from the banking, security and insurance industries, more different industries should also be allowed to use the Fintech Supervisory Sandbox introduced by the authorities to conduct pilot trial runs on their Fintech initiatives. DAB suggests that the authorities should learn from the experience of the United Kingdom and Singapore and launch new supervisory sandboxes (aside from the Sandbox for financial firms) for the use of all industries and Fintech start-ups to facilitate Hong Kong's development in Fintech and e-commerce and into a smart city;
(b) electronic "know your client" ("eKYC") utilities should be developed. Hong Kong should consider using the eID system and modelling on places such as Singapore to develop infrastructure for digital identification of customers and plan for enterprises the development of well-secured eKYC platforms, so as to enhance the technology level and boost the business development of the banking, insurance and other financial services industries;

(c) the interfacing of the electronic payment and clearing platforms among Hong Kong, the Mainland and the international community should be enhanced. To tie in with the launch of the Faster Payment System by HKMA, the Government should encourage members of the public to pay government fees by electronic means. More importantly, it should step up its efforts to negotiate with the State Administration of Foreign Exchange and the People's Bank of China for allowing Hong Kong residents to use electronic wallets in the Mainland by, among others, exempting them from providing Mainland address proofs for opening bank accounts in the Mainland and promoting the attestation service for account opening so that Hong Kong residents may open Mainland bank accounts under the attestation of Hong Kong-affiliated banks. This initiative may first be introduced in the Guangdong-Hong Kong-Macao Greater Bay Area before covering the whole country. In the medium and long term, the Government should also develop gross settlement infrastructure for currencies other than Hong Kong Dollar and Renminbi to establish an electronic link with the member states of the Association of Southeast Asian Nations, European and American countries so as to facilitate Hong Kong people using electronic payment abroad; and

(d) the Government should attach importance to the training of talents and take a multi-pronged approach to increase the Fintech adoption rate in Hong Kong. On this point, my view is that, in addition to encouraging local tertiary institutions to offer professional Fintech courses, the Government should also improve the Fintech knowledge of government officials and civil servants. Therefore, the Government is suggested to arrange civil servants holding relevant positions to enrol for Fintech courses and encourage different
industries to provide training courses on Fintech-related knowledge and skills for their personnel, especially for those in the conventional financial industry and the in-house information technology departments, so as to increase the Fintech adoption rate in society.

President, Mr Dennis KWOK has added in his amendment the phrase "earnestly urges the Central Government and requests the SAR Government to precisely implement the principles of 'one country, two systems', 'Hong Kong people ruling Hong Kong', 'a high degree of autonomy' and judicial independence, so as to continue to attract foreign investment", which is obviously a political stance. DAB does not agree with Mr KWOK's allegation that the principles of "one country, two systems", "Hong Kong people ruling Hong Kong", "a high degree of autonomy" and judicial independence have not been implemented and are subject to challenge (The buzzer sounded) … Therefore, we oppose the amendment of Mr Dennis KWOK.

PRESIDENT (in Cantonese): Mr WONG, please stop speaking.

MR CHRISTOPHER CHEUNG (in Cantonese): President, I have to thank Mr CHAN Chun-ying for moving such a meaningful motion. With the advancement in technologies, we have already entered the era of financial technology ("Fintech"). There is no doubt that Hong Kong, as an international financial centre, has to innovate continuously to keep pace with the latest developments. In particular, in view of the rapid development of Fintech in the Mainland in recent years, it seems that Hong Kong is lagging behind in this area of development. We must therefore waste no time to catch up so as to maintain our advantages and competitiveness in finance.

However, as the development of Fintech often requires considerable input of manpower, materials and other resources to upgrade the existing computer systems and network systems, small and medium enterprises ("SMEs") with limited resources will certainly find it very difficult to cope with. I therefore propose an amendment today, hoping to draw the Government's attention to the funding pressure faced by SMEs in the financial sector in the development of Fintech and help them respond to the call of the times.
The Technology Voucher Programme, launched in 2016, was originally intended to improve productivity as well as facilitate upgrading and transformation. Although adjustments had been made during the period to slightly relax the eligibility criteria, allowing companies other than those defined by the Government as SMEs to apply so long as they are not listed companies, the programme was met with lukewarm response. Only 1,640 companies have applied so far, which is a very small number compared to 1.3 million companies in Hong Kong.

With regard to the funding amount, the imposition of the limits of $200,000 and up to three approved applications gives people an impression that this is a "half-baked" initiative. While $200,000 is downright insufficient for launching large-scale technology application scheme, it does not seem worthwhile to devote massive efforts and resources to apply for just a small amount of funding either. Worse still, the threshold of requiring enterprises to bear one third of the cost is also too high. Therefore, it is most desirable for the Government to raise the limits of funding to $500,000 and up to five approved applications, and reduce the proportion of financial contribution required of applicant enterprises to one fifth. I believe these changes will help attract more SMEs from the financial services sector to submit applications.

As for Mr WONG Ting-kwong's proposal to develop electronic "know your client" utilities, I give my strong support. However, as it involves a considerable amount of personal data and privacy issues, coupled with the pretty high online data security protocols and requirements, it is very difficult to achieve any result without the support of government policies and resources. If the Government can take up the responsibility of building this platform and extending the relevant services to SMEs, our competitiveness can be enhanced tremendously. Also, given the flexible nature of SMEs, they should be able to continue to make great contributions to the economy of Hong Kong.

In view of the need to tie in with the development of the Greater Bay Area, and given that Hong Kong has all along played a leading role in the financial sector, if Hong Kong can make effective use of Fintech and secure the support of the Central Government to establish a cross-boundary financial services platform for different kinds of cross-boundary financial trading, including cross-boundary electronic payment and clearing, I am sure it will greatly facilitate the exchanges between people of the two places. At present, for Hong Kong people who have not opened bank account in the Mainland where electronic payment is very
popular, spending can be very difficult in the absence of a cross-boundary payment platform. The successful establishment of cross-boundary financial services would also enable Mainland enterprises to use more types of Hong Kong's financial services, such as investment, financing and asset management services.

President, in order to develop Fintech in Hong Kong, we must certainly step up the training of talents in this area. Apart from offering the relevant courses in tertiary institutions, on-the-job training should also be provided to subsidize interested practitioners to enrol. This will not only enable them to acquire additional skills, but will also prevent the financial sector from suffering a shortage of talents. As far as I understand it, in order to develop business in Hong Kong, many foreign start-ups often need to import the relevant talents from overseas. If sufficient talents are available, this will lower the development costs and threshold of the foreign start-ups, and provide more career pathways for local young people.

Fintech often requires a tremendous amount of data, which inevitably involves privacy problem. However, as evident from the successive massive data breaches of a number of renowned business organizations, the legal protection provided in this area is obviously inadequate in Hong Kong. Therefore, we must expeditiously conduct a review to plug the relevant loopholes, so that enterprises can strengthen the protection of clients' privacy and attach greater importance to network security. I think that if the relevant legislation can be improved, it will be of great help to the development of Fintech.

President, with these remarks, I hope that Members will support my amendment.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, first, I have to thank Mr CHAN Chun-ying for moving the motion for debate, and Mr CHAN Kin-por, Mr Dennis KWOK, Mr Charles Peter MOK, Mr WONG Ting-kwong and Mr Christopher CHEUNG for proposing the amendments, so that we have the opportunity to report our work on promoting financial technology ("Fintech") to the Legislative Council and exchange views on relevant issues.
In recent years, developing Fintech has become the major international trend. Not only can Fintech development innovate financial services to make life convenient for the public, it can also raise the overall competitiveness of Hong Kong's financial service industry and reinforce Hong Kong's position as the leading international financial centre in Asia. In fact, as a financial centre, Hong Kong ranks third globally and first in Asia, and it is even the leading fund management hub in Asia. For the 10 years since 2009, Hong Kong has topped the world in terms of funds raised through initial public offerings for six years. In addition, Hong Kong is the world's sixth and Asia's second largest international banking centre, with 77 of the world's top 100 banks operating in Hong Kong. Hong Kong is also the world's fourth largest centre for foreign exchange trading.

The policy objective of the SAR Government in developing Fintech is to combine Fintech—which has been actively promoted by the current-term Government—and our existing advantages in financial services in order to develop Hong Kong into a vibrant Fintech hub in the Asian region. While nurturing local Fintech talents, Fintech talents from overseas and the Mainland are given new opportunities for exchanges and exploration in order to sustain the robust development of Hong Kong's Fintech ecosystem.

As an international financial centre, Hong Kong boasts quite a number of advantages for developing Fintech. Apart from a highly developed information and communications technology industry, Hong Kong has clearly defined financial law and regulations. In addition, since our sound regulatory regime has been aligned with international standards, Hong Kong has all along been an ideal business location for international financial institutions. Under "one country, two systems", Hong Kong is a highly open and international city characterized by a free flow of talents, capital and information. These unique advantages have turned Hong Kong into an ideal place for developing Fintech.

As advocated by the Chief Executive in the Policy Address, the Government should play the roles of "facilitator" and "promoter" in fostering economic development. To give impetus to Fintech development, we should also play the roles of "facilitator" and "promoter" by promoting Fintech development in five aspects, namely promotion, support measures, regulation, talents and capital. With the concerted efforts of the Government, financial regulators and the industry, Hong Kong's Fintech ecology will thrive even further. At present, over 500 Fintech start-ups and companies have established their bases in Hong Kong; world-renowned innovation laboratories and accelerator
programmes, for example, the Accenture Fintech Innovation Lab, Deloitte's Asia Pacific Blockchain Lab, Israeli Fintech platform The Floor, etc., have established their presence in Hong Kong one after another.

President, I will now continue to listen to Members' views on the motion and the amendments, and then give a consolidated response in my concluding speech. Thank you, President.

MR ALVIN YEUNG (in Cantonese): President, I thank Mr CHAN Chun-ying for moving this motion. First of all, I would like to discuss how important money is.

In Hong Kong, the basic needs of living in respect of clothing, food, accommodation and transport are all related to money. Recently, the most heated discussion is how to obtain $4,000 from the Government. Let us not talk about how difficult it would be to apply for $4,000. Even if members of the public can apply online for $4,000, it seems to be very complicated and this has aroused widespread concern. Is promoting the development of financial technology ("Fintech") in Hong Kong so easy as the Government has claimed? If worse comes to worst, if one day the Government is willing to hand out $4,000 to Hong Kong people in the form of virtual currency and cryptocurrency, is cryptocurrency a safe medium of exchange and does Hong Kong have the necessary "soil" for this technology?

President, over the past period of time, our grave concern is that—Mr Dennis KWOK and Mr Charles Peter MOK have mentioned this point just now and before—in the past decade or so, the SAR Government has adopted a very ambiguous attitude towards virtual currency and cryptocurrency, which is neither prohibition nor regulation. And, when Members asked the Government about its stance in the past, its response was also ambiguous. The Government often said that we have to wait and see what other countries have done. Such indecisive and apprehensive attitude is indeed laughable. Being an international financial centre, how come Hong Kong seems to have its hands tied in the regulation of Fintech?

Recently, the Securities and Futures Commission ("SFC") has taken the first step to include portfolio managers and fund distributors of virtual assets, such as cryptocurrency, under the scope of supervision. The first phase will be testing in its regulatory sandbox, which is, of course, better late than never.
President, another focus of this motion is how to consolidate Hong Kong’s position as an international financial centre and I will state my views on the rule of law later. On the issue of opening bank accounts, many Members just now mentioned that the most painful experience encountered by SMEs, start-ups and overseas people coming to do business in Hong Kong is the opening of bank accounts. Banks, regardless of whether they are large, Chinese-funded or foreign-owned, give people a discouraging impression that they do not welcome foreigners and local people to do business or engage in commercial activities in Hong Kong. I can understand that and have discussed this issue with government officials and the Hong Kong Monetary Authority, but they always put the blame on banks and argue that only individual banks have adopted such an attitude. Notwithstanding that, I would like to take this opportunity to ascertain, and hope that the Secretary will explain to Hong Kong people whether this matter really has nothing to do with the Government. If this is truly the case, is the Government or the regulatory authority not in a position to take any action? I think this is very important. I have avoided, as far as possible, touching on advanced technology and focused solely on the financial aspect. If Hong Kong as an international financial centre is so restrictive even in the opening of bank accounts, I think it would be useless no matter how outstanding it is in other respects.

President, regarding the subject of the motion, I would like to discuss the most important foundation for an international financial centre. Mr Dennis KWOK has already mentioned the rule of law just now. President, the reason why we are able to attract foreign companies and organizations to invest in Hong Kong is that we have a sound legal system and well-developed legislation, which has enabled these companies and organizations to have greater confidence in Hong Kong than our neighbouring regions. However, recently, the SAR Government has launched high-profile publicity campaign on the Greater Bay Area and called on members of the public to go there for development. So, is there any guarantee that freedom of information provided under the existing legal system will still be protected in the Greater Bay Area? Intellectual property right is an important issue. Will intellectual property rights also enjoy the same protection in the Greater Bay Area?

In fact, we have more than once highlighted the importance of the rule of law, which is indeed an assurance to the investors. We are worried that if we fail to defend the rule of law, Hong Kong will exercise self-censorship just like the Mainland, and enterprises will only be allowed to continue their operation if
there are Communist Party members in the corporate structure. I am thus very worried. Will such an insecure environment deter other people from investing in Hong Kong? If foreigners are invited to come to Hong Kong to share their experiences, will the Hong Kong Government exercise self-censorship and refuse their entry? If Hong Kong continues to exercise political oppression, arrests political prisoners and deprives some Hong Kong people of their political power for life, and the Department of Justice of Hong Kong refuses to institute prosecution against certain senior officials for political reasons, then who are going to believe Hong Kong is still a society governed by the rule of law? Furthermore, if we refuse the entry of foreign journalists to Hong Kong and deprive the right of certain political figures to continue to stand for elections, can we still hold high the banner of sound rule of law in Hong Kong? I believe these are the grave concerns of foreigners. If they no longer choose to invest in Hong Kong, they will not communicate directly with Secretary LAU and tell him that they have lost confidence in Hong Kong's system. Instead, they will simply evade Hong Kong and remove Hong Kong from their investment lists. This is indeed a cause for our concern.

The Hong Kong SAR Government may naively think that with the protection provided by SFC and the formulation of rules and regulations, the rule of law will be very sound and investors will come to invest in Hong Kong. However, international investors have simply ignored Hong Kong. If the foundation of the rule of law is shaken, international investors will simply evade Hong Kong and remove Hong Kong from their selection lists. Even if we put greater efforts and implement all the policy proposals put forward by Members, the damage done to the rule of law cannot be remedied. Although these issues may not be directly related to Secretary LAU, I still hope that the SAR Government will listen to these concerns and protect the legal system and Hong Kong so that we will no longer be involved in such senseless or unnecessary breaches of the rule of law. I hope that not only the SAR Government will be committed, but Carrie Lam's administration will also seriously think about it.

DR KWOK KA-KI (in Cantonese): President, first of all, I would like to thank Mr CHAN Chun-ying for moving this motion which has enabled us to discuss the development of Hong Kong as a financial technology hub. Incidentally, the Heritage Foundation rated Hong Kong this week as the world's freest economy for the 25th consecutive year and continued to give Hong Kong a score at 90.2 in the Index of Economic Freedom report, making Hong Kong once again the only economy attaining an overall score higher than 90.
Nevertheless, President of the Heritage Foundation Dr Edwin FEULNER indicated that Hong Kong's rating for "judicial effectiveness" has lowered, mainly because the Central Government reserves the right to make final interpretations of the Basic Law and limits the power of Hong Kong's Court of Final Appeal. That is an important point. When we consider the major differences between Hong Kong and other Mainland or overseas cities, we must ask ourselves why investors find it appropriate to establish their international or Asia headquarters in Hong Kong; or why investors are willing to put in large sums of investment in Hong Kong, thereby making Hong Kong one of the biggest financial centres in the world or in Asia. The reasons are our legal system and monitoring system. Nevertheless, our legal system and monitoring system are now facing the greatest challenges.

As far as our legal system is concerned, the SAR Government has allowed our freedom and independence under the separation of powers and the rule of law as provided in the Basic Law to be continually undermined; and it has allowed the Standing Committee of the National People's Congress to repeatedly undermine Hong Kong's power of final adjudication also provided in the Basic Law by means of interpretation of the Basic Law, which is most dangerous to Hong Kong. Thus, the Heritage Foundation expressed great concern as it made the rating. In fact, that is nothing new. Particularly in these few years, the rule of law has been ruthlessly attacked in Hong Kong, whether under the governance of the current-term Government or the last-term Government. Members of the public are very worried that the rule of law can no longer be upheld, whether in the courts in terms of the power of final adjudication or within the prosecution authorities.

Second, whenever the economic development of Hong Kong is mentioned nowadays, it will surely be linked with the economic development of the Greater Bay Area and the Belt and Road Initiative, and so on, advertised with political slogans. Hong Kong has been rated as the freest economy for 25 years without the involvement of the Greater Bay Area and we have not noticed any contribution from the Belt and Road Initiative either. Nevertheless, the Belt and Road Initiative has become an object of ridicule or a joke in the international world because many countries which have joined the Belt and Road Initiative …
PRESIDENT (in Cantonese): Dr KWOK Ka-ki, you have digressed. Please return to the subject of this debate.

DR KWOK KA-KI (in Cantonese): President, I will certainly return to the subject; but how can I not mention the Belt and Road Initiative in discussing our role as an international financial centre? Are you kidding me?

As we have noticed, after a change of leadership of some countries of the Belt and Road Initiative, contracts have been rescinded and situations of corruption have been uncovered. That is the act that Hong Kong has all along claimed that it is doing through the Asian Infrastructure Investment Bank; are Members afraid?

PRESIDENT (in Cantonese): Dr KWOK Ka-ki, the subject of this debate is "Promoting the development of a financial technology hub", please return to the subject of this debate.

DR KWOK KA-KI (in Cantonese): President, I am speaking on this subject and I hope you will listen patiently.

PRESIDENT (in Cantonese): If you continue to digress, I will ask you to stop speaking.

DR KWOK KA-KI (in Cantonese): President, all you need to do is to listen.

PRESIDENT (in Cantonese): Please return to the subject of this debate.

DR KWOK KA-KI (in Cantonese): Certainly, as a financial centre, Hong Kong must maintain its best advantages, which are regulation and talents. Speaking of the talents of Hong Kong, in a survey recently conducted by the Chinese
University of Hong Kong, many of the interviewees were young people of Hong Kong and one third of them indicated that they wished to leave Hong Kong as soon as possible. That is a warning sign. Some of our best talents may pursue their careers in other places such as London, New York and Singapore. Without talents, how can Hong Kong achieve anything? Let me quote a remark often made by those of you who have studied Economics and that is, "Bad money drives out the good". As the performance of Hong Kong has been worsening, perhaps the SAR Government and the financial officials of the Government should be put on alert.

Our status as a financial services and economic centre cannot be built on sand. Our foundation is built, not only on money, but also on our systems, Hong Kong people and the confidence of foreign investors in Hong Kong. If this foundation is removed, Hong Kong will be no different from any other Mainland cities. In terms of the funds available in Shenzhen and Shanghai, and even Guangzhou in the future, they will surely be greater than that in Hong Kong. But, Members need not worry, as Mainland officials, be they in Guangzhou, Shenzhen, Shanghai …

PRESIDENT (in Cantonese): Dr KWOK Ka-ki, I have already reminded you many times and you have indeed digressed too far. If you do not return to the subject of this debate, I will ask you to stop speaking.

DR KWOK KA-KI (in Cantonese): Okay. When I talked about an international financial centre, you forbade me. When I talked about the situation on the Mainland, you forbade me too. And just now, I was talking about reinforcing the foundation of Hong Kong in the hope that Hong Kong would become an international financial centre, and I was discussing how that could be done, President.

PRESIDENT (in Cantonese): The subject of this debate concerns "a financial technology hub" and not "a financial centre". Please return to the subject of this debate.
DR KWOK KA-KI (in Cantonese): I am talking about a financial technology hub. How much longer will you impede me from speaking, "big mouth President"?

I hope the Government will listen. Our most important task at the moment is to reinforce the position of Hong Kong as an international financial centre and an international technology hub, and what matters most is to reinforce our foundation. Our foundation lies in our talents; our foundation lies in the rule of law; our foundation lies in our regulation and our foundation lies in the degree of real autonomy and the degree of autonomy is manifested through the operation of our systems.

When seeing that the SAR Government is gradually moving towards a state of disappointment, ineffective administration, deprivation of freedom and unsound legal system, how can we have the cheek to tell all investors that Hong Kong has maintained its position as the world's freest economy consecutively for God know a number of years? That is an important point. I hope the Government will wake up and look at the current risks faced by Hong Kong. (The buzzer sounded)

PRESIDENT (in Cantonese): Dr KWOK, please stop speaking.

MR KENNETH LEUNG (in Cantonese): First of all, I would like to thank Mr CHAN Chun-ying for moving the motion on "Promoting the development of a financial technology hub to reinforce Hong Kong's position as an international financial centre" today. The motion emphasizes two points: first, financial technology ("Fintech"); and second, international financial centre. In other words, since Hong Kong calls itself an international financial centre, the development of Fintech is lagging far behind. The motion of this debate also emphasizes Hong Kong's position as an international financial centre instead of a financial centre of China. While Shanghai may be the only financial centre in China, Hong Kong is open to the international world. We must not only win the confidence of Mainland companies and companies of the Greater Bay Area, but also win the confidence of the international world, so that investors will come to Hong Kong to do business and develop their financial service business.
What is Fintech? In fact, a very simple definition is the adoption of alternative or non-traditional ways to conduct transactions, such as drawing loans, saving money, making payments, raising funds, taking out insurance and authenticating, etc. People may think that Fintech is applicable only in respect of payment platforms; in fact, its daily applications cover crowdfunding, virtual currencies, cloud computing, blockchain technology and separation of accounts, etc.

In recent years, many consultants have released many reports. According to a report on Fintech adoption indexes released by Ernst and Young in 2017, the adoption rate of Fintech in Hong Kong was only 32% whereas it was 69% in Mainland China. Nevertheless, we should not think lightly of ourselves and conclude by merely looking at the Fintech adoption indexes that Hong Kong lags behind China or other neighbouring countries such as Singapore. The reason is that whether Hong Kong adopts a certain Fintech and the level of Fintech development are two different matters.

Whether Hong Kong adopts a certain new Fintech for transactions depends on the degree of acceptance of the technology, which in turn depends on Hong Kong's risk assessment of the technology, our regulatory systems and our culture. In many societies, people may prefer using real currencies for transactions, but their technological development is actually very advanced. For example, the older generation in Japan prefers making cash payments, but is Japan's technological development advanced? I think Members have their answer.

Regarding the above mentioned report, Hong Kong ranks 11th among 20 places and China ranks first. The reason is very simple. If we only look at the utilization rate of electronic payment systems, China will surely rank first, because no one will accept cash anywhere in China. Nonetheless, Hong Kong, being an inclusive society, will accept payment by Alipay, Octopus, Samsung Pay, Apple Pay or cash. Foreigners doing business in Hong Kong and visitors will find the arrangement very convenient. Certainly, I am only using electronic payment systems as an example. In fact, one issue which has often been criticized and Mr Charles Peter MOK will also agree is that taxis in Hong Kong only accept cash payment. In an incident, a taxi driver drove a passenger to Stanley, as he did not have sufficient change and the passenger insisted on getting the change, the driver could only drive the passenger all the way back. Fellow taxi drivers, I really urge you to keep slightly abreast of the times. The Government should also make more efforts in this regard.
Speaking of the report, Hong Kong ranks 11th after many developing and emerging economies, including India, Brazil, Mexico and South Africa, etc. The Fintech adoption rates of these places are 40% or more than 40%, which are higher than the global average of 33%. Hong Kong has only achieved a global average. Why are the rankings of these places so high? Since they are emerging economies, the locals often rely on mobile phones for microfinancing and payment, or for borrowing a few thousand US dollars to do business. Since the banking systems and the transport infrastructures in these places are not well-developed and the countries cover vast areas, it is not convenient for people to pay frequent visits to physical banks or physical financial institutions, thus, their Fintech adoption rates are high. But the problems are: Do these countries have sound legal systems? Are their financial systems safe? These issues have yet to be explored.

What policies should be introduced to promote the development of Fintech in Hong Kong and to maintain or even enhance the position of Hong Kong as an international financial centre? President, I wish to raise three major points. First, Fintech should be popularized in our society. Certainly, this point is closely related to our trust and knowledge of the Fintech system and our confidence in the legal and regulatory regime. People will use Fintech only if they have confidence in it. They may ask questions such as: Is there sound protection for privacy of personal data? Will personal data or even the identities of people be easily stolen? These areas should be protected before people gain confidence in using Fintech. These technologies will become popular only if people know how to use them, and then everyone will be willing to use them.

Second, there should be a sound legal and regulatory regime to create a favourable environment for research and development and other activities. Some Members have mentioned earlier that there was no regulation on virtual currencies in Hong Kong and there were problems with the Personal Data (Privacy) Ordinance; thus, there is much room for improvement on risk management in Hong Kong.

Third, training of talents is required. Hong Kong needs a sufficient supply of talents in scientific research. Better facilities should be provided in universities to train talents in research and development of Fintech, and facilities such as sandboxes should be added, enhanced and made more open.
Finally, the rule of law about which Members are most concerned, should be upheld. Without the rule of law, it will be useless for us to say anything, President (The buzzer sounded)…

**PRESIDENT** (in Cantonese): Mr LEUNG, please stop speaking.

**DR ELIZABETH QUAT** (in Cantonese): First of all, I would like to thank Mr CHAN Chun-ying for moving such an important motion. Mr WONG Ting-kwong has expressed the overall position of the Democratic Alliance for the Betterment and Progress of Hong Kong on our behalf and now, I would like to express, on behalf of the Smart City Consortium of which I am a co-founder, the demands and views of the industries which are related to the practical operation.

First, as the Secretary said earlier, we know that the Government has been vigorously promoting the development of innovation and technology and has chosen four major areas for development, namely, biotechnology; artificial intelligence ("AI"); Fintech and a smart city. In the past year, the Government has used the platform of Hong Kong Science Park and injected a large amount of resources to promote the development of biotechnology and AI. Nevertheless, the industries have not noticed any vigorous efforts made by the Government in promoting Fintech and a smart city. We hope the Government will expeditiously work in these two areas.

Second, we know that the Government is promoting eID and it has indicated that it may introduce Application Programming Interfaces ("APIs") this year. At present, APIs are mainly used in government services, but in fact, there is a great need to use eID in Fintech services to dovetail with the know your client utilities ("KYCU"). Currently, KYCU are used mainly by enterprises. We hope that KYCU can be promoted for individual use and a consolidated set of utilities can be provided to dovetail with the development of eID, so that it can really facilitate the industries to use the infrastructures as soon as possible and provide them with faster and more convenient online financial services to reinforce the position of Hong Kong as an international financial centre.

Third, as a Member said earlier, there are many regulatory authorities regulating Fintech development at present. For example, the Hong Kong Monetary Authority ("HKMA"), the Securities and Futures Commission ("SFC"),
the Insurance Authority ("IA") and the Financial Services and the Treasury Bureau are all performing different tasks. Recently, HKMA is proceeding at a faster speed, while SFC and IA do not have a lot of work. I very much hope that the Government will take the lead in collaborating with these three authorities to develop a centralized platform so that the industries will have a centralized channel of communication, and this will also form a centralized point of contact for Mainland and overseas enterprises. Otherwise, many enterprises which have come to do business in Hong Kong will not know which authority to contact for discussing Fintech cooperation.

Another point I would like to raise is that although sandboxes are available in Hong Kong, the laws can never keep abreast of technological developments. Our current laws are very outdated and do not allow Fintech enterprises to try and apply Fintech lawfully. At present, sandboxes are applied in banks, the insurance industry and regulatory technology ("Regtech"). The United Kingdom introduced global sandbox in 2018 and extended the applicability of sandboxes from a vertical direction (i.e. within an industry) to a horizontal one. Considering the differences in the laws of different places, and in particular, given that Hong Kong will vigorously participate in the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area"), we must also develop regional sandboxes to promote Fintech. If Hong Kong wishes to become a major financial centre in the Greater Bay Area, we can use our unique position to spearhead the development of sandboxes in the Greater Bay Area.

Furthermore, since we have participated in the development of the Belt and Road Initiative—although some Members have expressed their opposition earlier—the Belt and Road Initiative is actually very important to the future development of our financial services industry. Thus, promoting the use of Belt and Road Fintech sandboxes can facilitate the development of the industries in this regard. If APIs of eID are also available, Fintech can be applied at a deeper and wider level, and more talents and enterprises will be attracted to Hong Kong.

I will now turn to the current problems of mobile payment. The development of mobile payment has now reached a stage of confusion and the Government has to enhance its support to promote the development. Currently, many start-ups have indicated that it is very difficult for them to collaborate with banks in providing mobile payment for Fintech services. Since banks are very conservative, it is difficult for start-ups to develop these services. Electronic
payment systems of the Greater Bay Area have yet to take shape. Although Mainlanders can use electronic mobile payment services in Hong Kong, Hong Kong people cannot use the service on the Mainland unless they have opened a Mainland bank account. That is because Hong Kong has not implemented real-name registration yet and if an enterprise wishes to develop mobile payment services on the Mainland, the licence application procedures are very complicated. Thus, I hope that the Faster Payment System ("FPS") can be developed to allow cross-boundary payment within the Greater Bay Area. Besides, at present, only big companies can use FPS; I very much hope that the system can cover start-ups too.

Moreover, start-ups which promote mobile payment do not understand why a QR code for merchants is still not available in FPS. Without such a QR code, banks cannot scan the code to transfer money to merchants. The current procedures are very complicated. I have been informed by the industries that if a small merchant wishes to use FPS but cannot open an account, procedures of KYC and anti-money laundering have to be completed even if it has to transfer $1. They cannot afford to go through these procedures. Thus, the Government has to help them in this respect.

We have all along considered that in order to promote Fintech, it is most important to ensure cyber security, as shown in the incident of the TransUnion Limited of Hong Kong. Thus, it is imperative to enact legislation on protection of Internet privacy. Besides, many people have recently used Fintech terminology such as blockchain, initial coin offerings or virtual currencies for fraudulent purpose. Therefore, it is very important to educate the public. I often think that as an international financial centre, Hong Kong has the preconditions to issue its own virtual currencies and this is also an area which needs to be explored.

Some Members said that there is an inadequate supply of talents in Hong Kong. We need to train civil servants and talents in the financial services industry and recruit university professors and AI talents. The Continuing Education Fund should also subsidize staff of enterprises to undertake information technology courses (The buzzer sounded)…
DR ELIZABETH QUAT (in Cantonese): … Thank you, President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr CHAN Chun-ying, you may now speak on the amendments. The time limit is five minutes.

MR CHAN CHUN-YING (in Cantonese): President, I would like to thank Mr CHAN Kin-por, Mr Charles Peter MOK, Mr Dennis KWOK …

(Dr Junius HO indicated a wish to speak)

PRESIDENT (in Cantonese): Mr CHAN Chun-ying, please sit down first. Dr Junius HO has indicated a wish to speak.

DR JUNIUS HO (in Cantonese): President, I do apologize for indicating my wish to speak a bit late. I wish to say a few words on this motion. I am very grateful to Mr CHAN Chun-ying returned from the functional constituency of finance. He has used his expertise to analyse this issue thoroughly.

Hong Kong is an international financial centre, in order to maintain its current leading position, it must certainly make good use of technology. Hong Kong has laid an excellent foundation, great importance has been attached to principles such as the rule of law, and there is no sign of Hong Kong going downhill at all. The Heritage Foundation of the United States still considers in its latest report that Hong Kong is a very free and open economy and I do not object to this assessment. Nevertheless, regarding the remark made in the report that the right of the Standing Committee of the National People's Congress ("NPCSC") to make final interpretations of the Basic Law has limited the power of Hong Kong's Court of Final Appeal and resulted in the weakening of the rule of law, I consider it totally unjustified. Back then on 4 April 1990, the Basic
Law already stipulated that NPCSC had the right to interpret the Basic Law. It seems that the Heritage Foundation has just awoken from its dreams and realized this fact 22 years after the reunification of Hong Kong.

If we are to work with concerted efforts to make achievements in this area for Hong Kong, we cannot simply talk the talk—the Secretary is now present—we also need to remove obstacles and barriers. I notice changes and improvements on the Mainland every day. For example, when I underwent clearance procedures through the Western Corridor, I noticed that the visitor clearance facilities of the border control point have improved rapidly. At present, robots are deployed as on-site assistants to remind visitors of the clearance procedures. During the digital era since 2000, while Hong Kong focused on speculating on dotcom shares and experienced a burst of the financial bubble, the Mainland, which began its development at the same time as Hong Kong, experienced an economic take-off for the past 18 years. It has applied digital technology and implemented mobile payment. Whenever a new system is introduced, there are bound to be merits and demerits and there will certainly be lots of concerns. Nevertheless, we cannot bar ourselves from progressing just because the shortcomings have not been resolved. A decision to move one step forward is better than standing still. Sometimes, if we insist on ensuring absolute accuracy before moving forward, we will be creating troubles for ourselves. We will then realize that people have moved far ahead of us while we remain on the same spot.

There are fundamental reasons accounting for the success of banks in Hong Kong, but should such reasons impede us from making bigger progress? In the Mainland, mobile payment and bank accounts can link up with mobile phones. There are more than 700 million mobile phones in China; people there do not need wallets when they travel around, but they can hardly do anything without a mobile phone. In the past, China was a backward agricultural country which did not even have telephones and telephone lines, but why are Mainlanders able to comment on major international issues nowadays? That is because China has kept abreast of the latest applications of digital technology. With a vast area and a huge population, the whole country can leap forward and straddle generations. Hong Kong, situated at the "southern gateway" to China, brought capital to the Mainland in the past, enabling it to achieve great improvements over the past 40 years of reform. Yet, today, it keeps reviewing and studying various areas and has not obtained obvious achievements. That is something which is really worth pondering.
I am very glad that Mr CHAN Chun-ying has moved this motion. It does not matter whether we consider ourselves to be leftist, centrist or rightist; democratic or pro-establishment Members; if we really consider Hong Kong to be our home and aspire to its improvements, we should support this motion. I think it is not necessary to propose any meaningless amendments. For example, Mr Dennis KWOK has proposed an amendment concerning the rule of law which everyone knows is essential to Hong Kong. Thus, I fully support Mr CHAN Chun-ying's original motion without amendment.

Finally, I urge the democrats not to pay lip service to what they advocate. Last week when we were discussing the motion on supporting small and medium enterprises with a view to improving their business environment, the democrats surprisingly voted against this harmless and positive motion. They do not practise what they preach, do they? They might be confused and made a mistake last week. Today, they have a second chance and they should support this motion. Members should speak with one voice to demand the Government to take actions, only in this way will the Government make continuous improvements. If we reprimand the Government, it will become panicky. We should encourage the Government so that it can move forward with confidence. I believe we can do so. Thank you, President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr CHAN Chun-ying, you may now speak on the amendments. The time limit is five minutes.

MR CHAN CHUN-YING (in Cantonese): President, I thank the five Members, namely Mr CHAN Kin-por, Mr Charles Peter MOK, Mr Dennis KWOK, Mr WONG Ting-kwong and Mr Christopher CHEUNG, for proposing amendments to my motion; and the other five members, including Mr Alvin YEUNG, Dr KWOK Ka-ki, Mr Kenneth LEUNG, Dr Elizabeth QUAT and Dr Junius HO, for speaking on the motion.
The speeches delivered by Members today have enabled us to have a more thorough discussion on the financial technology ("Fintech") issue. In fact, today I have run into many Members who all told me that they wished they could have expressed their views, but did not know much about this area. I would like to apologize to those Honourable colleagues.

President, Mr CHAN Kin-por's amendment is concerned about assisting the banking, insurance and securities sectors, etc., of the financial industry in adapting to Fintech development, as well as offering retraining courses for financial industry practitioners. In my speech, I have also stressed that talents are extremely important for Fintech and urged the Government to expeditiously offer, in collaboration with the industry, online courses tailored to the needs of the industry, and award appropriate qualifications and professional recognition. Therefore, I endorse the content of his amendment.

Mr Charles Peter MOK has suggested in his amendment that Hong Kong remains relatively slow in areas such as opening Application Programming Interface (i.e. API) to facilitate the interoperability and sharing of data, optimizing the use of technologies such as blockchain and regulatory technologies for cost reduction, setting up a regulatory regime for tackling technological development and nurturing Fintech talents. Mr MOK has considered it necessary to encourage members of the public to pursue studies on Fintech-related skills, update legislation in a timely manner, enhance information security capabilities, etc. I consider these views to be extremely important to Fintech development. I will offer my support.

In his speech, Mr Dennis KWOK has expressed some views about the development of the financial industry from a legal perspective. However, his amendment has failed to put forward his views and proposals about promoting Hong Kong's Fintech development. Without rhyme or reason, he has even forcibly incorporated some sensational political views into his amendment. I will not endorse his amendment, and I will vote against it.

Mr WONG Ting-kwong has suggested that Fintech training be provided not only to bank employees but also civil servants. His proposals also include enhancing information and network security, refining the regulatory regimes, encouraging the use of Fintech Supervisory Sandbox in different industries and developing electronic "know your client" ("eKYC") utilities. I would hereby like to specifically emphasize that there has been no proposal so far for personal
eKYC utilities for members of the public, which I hope the Government will consider as soon as possible. In addition, Mr WONG Ting-kwong has talked about the need to enhance the interfacing of the electronic payment and clearing platforms among Hong Kong, the Mainland and the international community, step up public education, etc. I concur with and support all his proposals.

Mr Christopher CHEUNG has mentioned the Technology Voucher Programme ("TVP"). In fact, 1,070 applications have been vetted and approved under TVP so far. It is a matter of opinion whether TVP has received positive response or not. However, each enterprise will only be provided a funding up to $200,000, and the applicant enterprise must contribute no less than one third of the total approved project cost in cash. To small and medium enterprises, it may really be quite a big burden. I will support all of Mr Christopher CHEUNG's proposals, including the review of TVP and even the cross-boundary services platform. I hope that the Government will consider them.

President, all in all, with the exception of Mr Dennis KWOK's amendment, which I will oppose, I will support the amendments of the other four members. Thank you, President.

**SUSPENSION OF MEETING**

**PRESIDENT** (in Cantonese): I now suspend the meeting until 9:00 am tomorrow.

*Suspended accordingly at 7:46 pm.*
Financial Reporting Council (Amendment) Bill 2018

Committee Stage

Amendments moved by the Secretary for Financial Services and the Treasury

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<tr>
<th>Clause</th>
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<tr>
<td>1</td>
<td>By deleting subclause (2) and substituting—</td>
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<td></td>
<td>“(2) This Ordinance comes into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Gazette.”.</td>
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<td>4(13)</td>
<td>By deleting paragraph (a) and substituting—</td>
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<td>“(a) before the definition of audit—</td>
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<td>Add</td>
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<td>“2019 Amending Ordinance (《2019 年修訂條例》) means the Financial Reporting Council (Amendment) Ordinance 2019 ( of 2019);</td>
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<td>2019 Ordinance commencement date (《2019 年條例》生效日期) means the day on which section 23 of the 2019 Amending Ordinance comes into operation;”;”</td>
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<tr>
<td>4(13)(b)</td>
<td>In the proposed definition of transitional period, by deleting paragraphs (a) and (b) and substituting—</td>
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<td>“(a) beginning on the 2019 Ordinance commencement date; and</td>
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<td>(b) ending on 31 December of the same year;”.</td>
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<td>7(4)</td>
<td>By deleting “2018” and substituting “2019”.</td>
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<td>7(8)</td>
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<td>7(14)</td>
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7(16) In the proposed section 4(5), by deleting “2018” and substituting “2019”.

9 In the proposed section 7(1)(a), by deleting “and a non-practitioner”.

9 By deleting the proposed section 7(2) and (3) and substituting—

“(2) All members of the FRC must be non-practitioners appointed by the Chief Executive.

(3) Among the members of the FRC, the number of non-executive directors must exceed the number of executive directors.”.

9 In the proposed section 7(4)(a), by deleting “2” and substituting “one-third”.

11(3) In the proposed section 9(b)(iv), by deleting “accounting,”.

19 By deleting the proposed section 17(2) and substituting—

“(2) The first financial year of the FRC after the commencement of section 23 of the 2019 Amending Ordinance (first financial year)—

(a) begins on the 2019 Ordinance commencement date; and

(b) ends on the 31 March immediately after the first anniversary of that commencement date.”.

19 By deleting the proposed section 17(3)(a) and (b) and substituting—

“(a) for the first financial year—as soon as practicable after the 2019 Ordinance commencement date;

(b) for the second financial year—before the 31 December immediately before the end of the first financial year, or”.

23 By deleting the proposed section 20J(2)(a) and substituting—

“(a) 31 December of the first calendar year after the 2019 Ordinance commencement date;”.

23 In the proposed section 20ZF(2)(b)(ii), by adding “and” after “FRC;”.

23 By deleting the proposed section 20ZF(2)(c).
23 By deleting the proposed section 20ZJ(2)(a) and substituting—
   “(a) 31 December of the first calendar year after the 2019
   Ordinance commencement date;”.

26 In the proposed section 21A(1), by deleting “who is a certified public
   accountant.”.

26 In the proposed section 21A, by adding—
   “(1A) An inspector must be—
   (a) a certified public accountant; or
   (b) a member of an accountancy body that is a member of the
       International Federation of Accountants.”.

26 In the proposed section 21A(2), by deleting “the appointed” and
   substituting “an”.

26 In the proposed section 21B(1), by deleting “2018” and substituting
   “2019”.

26 In the proposed section 21C(1)(b), by deleting “2018” and substituting
   “2019”.

31 In the proposed section 23(1)(a), by deleting “2018” and substituting
   “2019”.

33(2) In the proposed section 24(1)(b), by deleting “2018” and substituting
   “2019”.

48 In the proposed section 37A(d), by deleting “2018” and substituting
   “2019”.

48 In the proposed section 37B(c), by deleting “2018” and substituting
   “2019”.

62 In the proposed section 50C, by adding—
   “(1A) A PIE auditor must provide the HKICPA or the FRC, as the
   case requires, with the information or document that the
   HKICPA or the FRC reasonably requires for ascertaining the
   levy payable by the auditor.”.
64 By deleting subclause (7) and substituting—
   “(7) Section 52(6)(a)—

Repeal
   “Council, the Investigation Board”

Substitute
   “FRC, an investigator”."

64 By deleting subclause (9) and substituting—
   “(9) Section 52(6)(b)—

Repeal
   “Council, the Investigation Board”

Substitute
   “FRC, an investigator”."

75 In the proposed section 87, in the definition of pre-amended Ordinance, by deleting “2018” and substituting “2019”.

75 In the proposed Part 7, in Division 2, in the heading, by deleting “2018” and substituting “2019”.

75 In the proposed section 88, in the heading, by deleting “2018” and substituting “2019”.

75 In the proposed section 88(1), by deleting “2018” and substituting “2019”.

75 In the proposed section 89, in the heading, by deleting “2018” and substituting “2019”.

75 In the proposed section 89(1), by deleting “2018” and substituting “2019”.

75 In the proposed section 90, in the heading, by deleting “2018” and substituting “2019”.

75 In the proposed section 90(1), by deleting “2018” and substituting “2019”.
75 In the proposed Part 7, in Division 3, in the heading, by deleting “2018” and substituting “2019”.

75 In the proposed section 92, in the heading, by deleting “2018” and substituting “2019”.

75 In the proposed section 92(1) and (2), by deleting “2018” and substituting “2019”.

75 In the proposed section 93, in the heading, by deleting “2018” and substituting “2019”.

75 In the proposed section 93(1) and (2), by deleting “2018” (wherever appearing) and substituting “2019”.

78 In the proposed Schedule 2, in section 2, by deleting “who is a non-practitioner”.

78 In the proposed Schedule 2, by adding before section 6(1)(a)—

“(aa) has ceased to be a non-practitioner,”.

78 In the proposed Schedule 2, in section 7(2)(a), by deleting “who is a non-practitioner or (if no non-practitioner is available for designation) a practitioner”.

78 In the proposed Schedule 2, in section 7(4)(a), by deleting “who is a non-practitioner or (if no non-practitioner is available for designation) a practitioner”.

85 In the proposed Schedule 7, by deleting section 3(1) and substituting—

“(1) Subject to subsection (2), the levy payable by a PIE auditor for a calendar year is the sum of—

(a) $6,155 \times N; and

(b) 0.147% of TR,

where—

N = the number of PIEs for which the auditor is carrying out, as at 31 December of the preceding calendar year, an engagement specified in item 1 of Part 1 of Schedule 1A (specified engagement); and
TR = the total remuneration paid to the auditor, in the preceding calendar year, by the PIEs for which the auditor carried out specified engagements.”.

85 In the proposed Schedule 7, in section 3, by adding—
(2A) For ascertaining N and TR, the HKICPA or the FRC (as the case requires) may refer to—
(a) the annual financial statements of the PIEs submitted to the HKEC under the Listing Rules; or
(b) any information or document provided by the PIE auditor to the HKICPA or the FRC under section 50C(1A).”.

87 In the proposed section 32BA(2), in the definition of commencement date, by adding “section 23 of” after “on which”.

New In Part 3, in Division 1, by adding—
89A. Section 52 amended (Council may delegate)
Section 52(1)—
Repeal everything after “on the Council”
Substitute “under—
(a) this Ordinance (except section 51); or
(b) the Financial Reporting Council Ordinance (Cap. 588).”,”.
Financial Reporting Council (Amendment) Bill 2018

Committee Stage

Amendments moved by the Honourable Kenneth LEUNG

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Financial Reporting Council (Amendment) Bill 2018

**Committee Stage**

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