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### Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2019-20

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 4

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**CONTROLLING OFFICER'S REPLY**

**S-FSTB(FS)01**

**(Question Serial No. S018)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Andrew HY WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Further to Replies of Serial Nos. FSTB(FS)052 and FSTB(FS)072,

1. please provide the information on the 7 approved applications under the Green Bond Grant Scheme with the table below.

| Applying Institution / Issuer | Public Issuer/Private Issuer/Multilateral Development Bank | Amount of Grant under Application | Approved Amount of Grant | Issuance Size | Tenor | Bond Yield |
|-------------------------------|--|-----------------------------------|--------------------------|---------------|-------|------------|
|                               |  |                                   |                          |               |       |            |
| Total                         |  |                                   |                          |               |       |            |

2. whether the Government has any plans to review the standards or guidelines for bonds issued under the scheme in approving applications, such as requiring issuers to make corresponding commitments on carbon reduction for the bonds to be issued? If yes, what are the details? If no, what are the reasons?

Asked by: Hon AU Nok-hin

Reply:

The Government rolled out the Green Bond Grant Scheme in June 2018 to attract organisations to arrange financing for their green projects through our capital markets and encourage them to make use of the green finance certification services in Hong Kong. By end-February 2019, a total of 7 applications have been received and the details of the relevant green bond issuances are as follow:-

| <b>Issuer</b>  | <b>Applied Grant Amount (HK\$)</b> | <b>Approved Grant Amount (HK\$)</b> | <b>Issuance Size (US\$ million)</b> | <b>Tenor (Year)</b> | <b>Coupon Rate</b> |
|--|------------------------------------|-------------------------------------|-------------------------------------|---------------------|--------------------|
| Capital Environment Holdings Limited                     | 87,000                             | 87,000                              | 250                                 | 3                   | 5.625%             |
| China Everbright Bank Company Limited (Hong Kong Branch) | 87,000                             | 87,000                              | 300                                 | 3                   | LIBOR +85 bps      |
| Industrial and Commercial Bank of China (Asia) Limited   | 107,347                            | 107,347                             | 200                                 | 5                   | LIBOR +85 bps      |
| Industrial and Commercial Bank of China (Asia) Limited   | 22,000                             | 22,000                              | 330*                                | 2                   | 3.000%             |
| Industrial and Commercial Bank of China (Asia) Limited   | 22,000                             | 22,000                              | 200                                 | 3                   | LIBOR +75 bps      |
| Industrial Bank Co., Ltd Hong Kong Branch                | 113,000                            | 113,000                             | 600                                 | 3                   | LIBOR +85 bps      |
| New World China Land Limited                             | 87,000                             | 87,000                              | 310                                 | 5                   | 4.750%             |
| <b>Total</b>   | <b>525,347</b>                     | <b>525,347</b>                      | <b>2,190</b>                        |                     |                    |

Note: \* Converted by exchange rate of HK\$7.8/US\$1.

The Green Bond Grant Scheme is launched for a period of 3 years. We will continue to keep in view of the application progress and timely review the relevant details of the Scheme. The current grant eligibility criteria, amongst others, include certification obtained from the Hong Kong Quality Assurance Agency under its Green Finance Certification Scheme (“GFCS”). GFCS makes reference to a number of international and national standards on green finance and two types of certificate are available, namely Green Finance Pre-issuance Stage Certificate and Green Finance Post-issuance Stage Certificate, where the former requires validation of the adequacy of the Environmental Method Statement as proposed by the green finance issuer in producing positive environmental effects; and the latter requires annual verification of the continuous implementation and effectiveness of the proposed Environmental Method Statement.

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**CONTROLLING OFFICER'S REPLY****S-FSTB(FS)02****(Question Serial No. S019)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Andrew HY WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Further to Reply Serial No. FSTB(FS)001,

1. please tabulate by sector the (i) number, (ii) market capitalisation, (iii) percentage share of Chinese enterprises in terms of number, and (iv) percentage share of Chinese enterprises in terms of market capitalisation, of the enterprises listed in Hong Kong as at end-March 2019.

|          | Total number of listed enterprises | Total market capitalisation | Percentage share of Chinese enterprises in terms of number | Percentage share of Chinese enterprises in terms of market capitalisation |
|----------|------------------------------------|-----------------------------|--|---|
| (Sector) |                                    |                             |  |   |
| Total    |                                    |                             |  |   |

2. please provide by sector the (i) number, and (ii) market capitalisation at the time, of enterprises (including Chinese and non-Chinese enterprises) listed in each of the past 5 years.

|          | 2014<br>(i), (ii) | 2015<br>(i), (ii) | 2016<br>(i), (ii) | 2017<br>(i), (ii) | 2018<br>(i), (ii) |
|----------|-------------------|-------------------|-------------------|-------------------|-------------------|
| (Sector) |                   |                   |                   |                   |                   |
| Total    |                   |                   |                   |                   |                   |

Asked by: Hon AU Nok-hin

Reply:

According to the Hong Kong Exchanges and Clearing Limited (HKEX), as at end March 2019, 2 346 companies were listed in Hong Kong. The number and market capitalisation of these enterprises by sector, as well as the percentage share of Chinese enterprises, are at **Annex A**. The figures relating to enterprises listed in Hong Kong over the past 5 years are at **Annex B**.

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**Number and Market Capitalisation of Enterprises Listed in Hong Kong and  
Percentage Share of Chinese Enterprises (as at end March 2019)**

| <b>Sector</b>             | <b>Total Number of<br/>Enterprises</b> | <b>Share of Chinese<br/>Enterprises</b> | <b>Total Market<br/>Capitalisation<br/>(million dollars)</b> | <b>Share of Chinese<br/>Enterprises</b> |
|---------------------------|--|---|--|---|
| Utilities                 | 77                                     | 79%                                     | 1,861,855  | 51%                                     |
| Materials                 | 149                                    | 64%                                     | 545,369  | 85%                                     |
| Properties & Construction | 418                                    | 42%                                     | 5,550,223  | 58%                                     |
| Industrials               | 273                                    | 59%                                     | 1,146,635  | 89%                                     |
| Consumer Goods            | 531                                    | 52%                                     | 3,772,155  | 76%                                     |
| Consumer Services         | 331                                    | 32%                                     | 2,603,121  | 33%                                     |
| Conglomerates             | 28                                     | 39%                                     | 1,068,737  | 45%                                     |
| Energy                    | 83                                     | 59%                                     | 1,209,267  | 99%                                     |
| Information Technology    | 217                                    | 53%                                     | 4,916,221  | 96%                                     |
| Financials                | 221                                    | 51%                                     | 8,857,158  | 60%                                     |
| Telecommunications        | 18                                     | 50%                                     | 2,283,971  | 92%                                     |
| <b>Total</b>              | <b>2 346</b>                           | <b>50%</b>                              | <b>33,814,712</b>  | <b>69%</b>                              |

Source: HKEX

Note: The figures on market capitalisation by sector do not add up to the total due to rounding.

**Number and Market Capitalisation of Enterprises Newly-Listed in Hong Kong by Year (2014 to 2018)**

| Sector                    | 2014       |   | 2015       |   | 2016       |   | 2017       |   | 2018       |   |
|---------------------------|------------|---|------------|---|------------|---|------------|---|------------|---|
|                           | Number     | Market Capitalisation (million dollars) | Number     | Market Capitalisation (million dollars) | Number     | Market Capitalisation (million dollars) | Number     | Market Capitalisation (million dollars) | Number     | Market Capitalisation (million dollars) |
| Utilities                 | 8          | 110,558                                 | 4          | 7,700                                   | 2          | 14,585                                  | 4          | 17,367                                  | 6          | 6,849                                   |
| Materials                 | 6          | 49,755                                  | 6          | 8,766                                   | 3          | 4,368                                   | 2          | 1,784                                   | 6          | 11,009                                  |
| Properties & Construction | 20         | 130,655                                 | 23         | 303,445                                 | 29         | 85,872                                  | 48         | 193,078                                 | 50         | 143,295                                 |
| Industrials               | 9          | 15,380                                  | 11         | 24,632                                  | 16         | 11,181                                  | 22         | 14,794                                  | 23         | 12,015                                  |
| Consumer Goods            | 34         | 271,301                                 | 35         | 236,362                                 | 20         | 137,245                                 | 30         | 98,414                                  | 46         | 154,576                                 |
| Consumer Services         | 15         | 74,602                                  | 16         | 23,127                                  | 23         | 69,546                                  | 33         | 72,558                                  | 39         | 228,965                                 |
| Conglomerates             | -          | -                                       | 1          | 14,068                                  | 1          | 631                                     | -          | -                                       | -          | -                                       |
| Energy                    | 1          | 2,002                                   | 1          | 3,770                                   | 1          | 7,855                                   | 3          | 1,312                                   | 5          | 30,806                                  |
| Information Technology    | 15         | 62,111                                  | 11         | 29,169                                  | 15         | 61,133                                  | 14         | 155,674                                 | 26         | 591,354                                 |
| Financials                | 6          | 22,505                                  | 17         | 242,410                                 | 15         | 164,202                                 | 17         | 136,686                                 | 16         | 43,815                                  |
| Telecommunications        | 1          | 885                                     | 1          | 9,936                                   | -          | -                                       | 1          | 1,292                                   | 1          | 69,063                                  |
| <b>Total</b>              | <b>115</b> | <b>739,754</b>                          | <b>126</b> | <b>903,385</b>                          | <b>125</b> | <b>556,617</b>                          | <b>174</b> | <b>692,960</b>                          | <b>218</b> | <b>1,291,746</b>                        |

Source : HKEX

Note: The figures on market capitalisation by sector for certain years do not add up to the total due to rounding.

**CONTROLLING OFFICER'S REPLY****S-FSTB(FS)03****(Question Serial No. S020)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Andrew HY WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Further to Reply Serial No. FSTB(FS)001, please inform this Committee of the following:

With the permission for the listing of companies with weighted voting right structures in 2018, please set out in table form (a) the name of companies from emerging and innovative sectors and (b) the name of biotechnology companies, as well as (c) their share price on the first day of listing and (d) their market capitalisation at the time of listing which have been listed on the Hong Kong Exchanges and Clearing Limited by such means up to 31 March 2019.

Asked by: Hon AU Nok-hin

Reply:

According to the Hong Kong Exchanges and Clearing Limited, information relating to companies listed under the listing regime for companies from emerging and innovative sectors as at end-March 2019 is as follows:

| <u>Name of companies</u>                                       | <u>Share price at market close on the first day of listing (dollars)</u> | <u>Market capitalisation at the time of listing (million dollars)</u> |
|--|--|---|
| <b><u>Companies with weighted voting rights structure</u></b>  |  |   |
| Xiaomi Corporation-W   | 16.80  | 380,394   |
| Meituan Dianping-W   | 72.65  | 378,897   |
| <b><u>Pre-revenue / pre-profit biotechnology companies</u></b> |  |   |
| Ascletis Pharma Inc.-B   | 14.00  | 15,690  |
| BeiGene Ltd.-B   | 107.00   | 82,854  |
| Hua Medicine-B   | 8.28   | 8,710   |

| <b><u>Name of companies</u></b>       | <b><u>Share price at market close on the first day of listing</u></b><br><b>(dollars)</b> | <b><u>Market capitalisation at the time of listing</u></b><br><b>(million dollars)</b> |
|---------------------------------------|---|--|
| Innovent Biologics Inc.-B             | 16.58   | 15,632   |
| Shanghai Junshi Biosciences Co Ltd.-B | 23.75   | 3,080  |
| CStone Pharmaceuticals-B              | 12.86   | 11,809   |
| CanSino Biologics Inc.-B              | 34.70   | 2,821  |

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**CONTROLLING OFFICER'S REPLY**

**S-FSTB(FS)04**

**(Question Serial No. S021)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Andrew HY WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Further to Reply Serial No. FSTB(FS)002, how many listed Mainland enterprises were delisted in each of the past 5 years? Please provide the name of such enterprises, the year they were delisted and the share price when delisted with the table below.

| Year | Name of delisted enterprises | Share price when delisted |
|------|------------------------------|---------------------------|
|      |                              |                           |
|      |                              |                           |

Asked by: Hon AU Nok-hin

Reply:

According to the Hong Kong Exchanges and Clearing Limited, the information relating to Mainland Enterprises delisted over the past five years is as follows:

| <b>Year</b> | <b>Name of delisted enterprises</b>                                | <b>Share price when delisted (\$)</b> |
|-------------|--|---------------------------------------|
| 2014        | Great Wall Technology Co. Ltd. - H Shares                          | 3.18                                  |
| 2015        | Hunan Nonferrous Metals Corporation Ltd. - H Shares                | 4.18                                  |
| 2015        | China CNR Corporation Ltd. - H Shares                              | 15.86                                 |
| 2015        | Sanmenxia Tianyuan Aluminum Co. Ltd. - H Shares                    | 0.04                                  |
| 2015        | Jingwei Textile Machinery Co. Ltd. - H Shares                      | 11.98                                 |
| 2016        | Wumart Stores, Inc. - H Shares                                     | 6.2                                   |
| 2016        | China Metal Recycling (Holdings) Ltd.                              | 9.43                                  |
| 2016        | Dongpeng Holdings Co. Ltd.   | 4.46                                  |
| 2016        | Dalian Wanda Commercial Properties Co., Ltd. - H Shares            | 52.5                                  |
| 2016        | TCL Communication Technology Holdings Ltd.                         | 7.47                                  |
| 2016        | Anhui Tianda Oil Pipe Co. Ltd. - H Shares                          | 1.66                                  |
| 2017        | China Forestry Holdings Co., Ltd.                                  | 2.925                                 |
| 2017        | Chinalco Mining Corporation International                          | 1.38                                  |
| 2017        | Jilin Qifeng Chemical Fiber Co., Ltd. - H Shares                   | 1.09                                  |
| 2017        | Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. –<br>H Shares | 16.96                                 |
| 2017        | Yingde Gases Group Co. Ltd.  | 6.01                                  |
| 2017        | Dejin Resources Group Co. Ltd.                                     | 0.215                                 |
| 2017        | Bloomage BioTechnology Corporation Ltd.                            | 16.24                                 |
| 2018        | Welling Holding Ltd.   | 2.05                                  |
| 2018        | China National Materials Co. Ltd. - H Shares                       | 7.36                                  |
| 2018        | Trony Solar Holdings Co. Ltd.                                      | 0.63                                  |
| 2018        | Portico International Holdings Ltd.                                | 4.08                                  |
| 2018        | Bel Global Resources Holdings Ltd.                                 | 0.143                                 |
| 2018        | Han Tang International Holdings Ltd.                               | 2.61                                  |
| 2018        | Anxin-China Holdings Ltd.  | 0.385                                 |

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**CONTROLLING OFFICER'S REPLY**

**S-FSTB(FS)05**

**(Question Serial No. S022)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Andrew HY WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Further to Reply Serial No. FSTB(FS)050, please explain to this Committee on the following:

1. the expenditure of the Government involved in participating the Asian Infrastructure Investment Bank (AIIB) over the past 3 years;
2. the estimated expenditure and details of the staff establishment of the Government involved in participating the AIIB in 2019-20?

Asked by: Hon AU Nok-hin

Reply:

(1) & (2)

Hong Kong became a member of the Asian Infrastructure Investment Bank (AIIB) in June 2017. Apart from the one-off US\$10 million (about HK\$78 million) contribution to the AIIB Project Preparation Special Fund in March 2019, work relating to AIIB is handled by existing resources and manpower, including 1 Administrative Officer Staff Grade C and 1 Administrative Officer. It does not involve any additional staff cost. The arrangement will remain the same in 2019-20.

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**CONTROLLING OFFICER'S REPLY**

**S-FSTB(FS)06**

**(Question Serial No. SV003)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Andrew HY WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

This is a follow-up question on Reply Serial No. FSTB(FS)040.

What is the annual remuneration of the former Chief Executive Officer of the Financial Reporting Council?

Asked by: Hon LEUNG Kenneth

Reply:

The salary and variable pay of the former Chief Executive Officer of the Financial Reporting Council amounted to \$4.2 million *per annum*.

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**CONTROLLING OFFICER'S REPLY**

**S-FSTB(FS)07**

**(Question Serial No. S037)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Andrew HY WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Among the complaints received by the Securities and Futures Commission (SFC) involving alleged collective investment schemes (CISs), 57% (including 64 complaints) involved real estate projects, and more than half of them involved non-local real estate projects. What is the volume of such cases? How many of them involved the United Kingdom? How many of them involved the Mainland China? How many of them involved the United States, Thailand and other places? Please provide a breakdown of the above.

Furthermore, why was the SFC unable to bring any prosecution between 2016 and 2018? Was it due to difficulties in gathering evidence, or was it because the real estate projects involved in those 64 complaints had applied for authorisation? Or was it the case that none of them had applied for authorisation?

When does the SFC plan to promulgate educational materials on CISs (inclusive of those involving real estate projects), including making TV announcements of public interest that remind the public to be vigilant when investing in CIS on overseas real estate projects?

Asked by: Hon TO Kun-sun, James

Reply:

During the period of 1 January 2016 to 31 December 2018, the Securities and Futures Commission (SFC) received 54 complaints involving alleged collective investment schemes (CISs) which involved non-local real estate projects<sup>1</sup>. These complaints concerned 24 projects in the United Kingdom, 11 projects in the Mainland, and 39 projects in the United States, Thailand and other places.

<sup>1</sup> Some of the complaints involved more than one project. The number of projects involved is therefore larger than the number of complaints received.

The SFC attaches great importance to investor protection. If a property arrangement falls within the meaning of a CIS under the Securities and Futures Ordinance (SFO), the SFC may bring criminal proceedings against the local marketing agents for committing offences under sections 103 and 114 of the SFO by offering and marketing an unauthorised CIS. However, even if an overseas property arrangement concerned falls within the meaning of a CIS, our ability to regulate it will be limited where both the developer and the real property are located outside Hong Kong. A major hurdle in bringing criminal proceedings is the difficulty in securing direct evidence about the terms of the arrangement to prove beyond reasonable doubt that it is a CIS under the SFO. Often, the overseas property developers have either gone into liquidation or are persons under our investigation and therefore unwilling to assist the SFC. If the SFC has sufficient evidence, it will take enforcement actions against contraventions of the relevant laws and regulations. No prosecution was taken out between 2016 and 2018 mainly because of the aforementioned difficulties to gather sufficient evidence.

The SFC and its subsidiary, the Investor and Financial Education Council (IFEC), have published educational materials on CIS from time to time. The IFEC also carried out public education on this subject with another regulator. The IFEC has issued educational materials on overseas property investment, including projects involving CIS (Website: <https://www.thechinfamily.hk/web/en/tools-and-resources/hot-topics/overseas-property-investment.html>). The SFC and IFEC will continue to monitor market developments in relation to real estate-related CIS, and will publish educational materials as and when appropriate.

- End -