

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 23 October 2019

The Council met at 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 PUK-SUN, B.B.S., J.P.

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

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 HELENA WONG PIK-WAN

THE HONOURABLE IP KIN-YUEN

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

THE HONOURABLE MARTIN LIAO CHEUNG-KONG, G.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

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

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, J.P.

THE HONOURABLE SHIU KA-CHUN

THE HONOURABLE WILSON OR CHONG-SHING, M.H.

THE HONOURABLE YUNG HOI-YAN, J.P.

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., J.P.

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

THE HONOURABLE CHAN HOI-YAN

MEMBERS ABSENT:

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

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE MATTHEW CHEUNG KIN-CHUNG, G.B.M., G.B.S., J.P.

CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE PAUL CHAN MO-PO, G.B.M., G.B.S., M.H., J.P.
FINANCIAL SECRETARY

THE HONOURABLE MS TERESA CHENG YEUK-WAH, G.B.S., S.C., J.P.
SECRETARY FOR JUSTICE

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

THE HONOURABLE NICHOLAS W. YANG, G.B.S., J.P.
SECRETARY FOR INNOVATION AND TECHNOLOGY

THE HONOURABLE LAU KONG-WAH, J.P.
SECRETARY FOR HOME AFFAIRS

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 JOSHUA LAW CHI-KONG, G.B.S., J.P.
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE JOHN LEE KA-CHIU, S.B.S., P.D.S.M., J.P.
SECRETARY FOR SECURITY

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

PROF THE HONOURABLE SOPHIA CHAN SIU-CHEE, J.P.
SECRETARY FOR FOOD AND HEALTH

THE HONOURABLE EDWARD YAU TANG-WAH, G.B.S., J.P.
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

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

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

DR BERNARD CHAN PAK-LI, J.P.
UNDER SECRETARY FOR COMMERCE AND ECONOMIC
DEVELOPMENT

CLERKS IN ATTENDANCE:

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

MISS ODELIA LEUNG HING-YEE, DEPUTY SECRETARY GENERAL

MS DORA WAI, ASSISTANT SECRETARY GENERAL

PRESIDENT (in Cantonese): Will the Clerk please ring the bell to summon Members to the Chamber.

(After the summoning bell had been rung, a number of Members entered the Chamber)

PAPERS TO BE LAID ON THE TABLE OF THE COUNCIL

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

Subsidiary Legislation/Instruments	<i>Legal Notice No.</i>
Shipping and Port Control (Amendment) (No. 2) Regulation 2019.....	140 of 2019
Merchant Shipping (Local Vessels) (General) (Amendment) (No. 2) Regulation 2019	141 of 2019
Declaration of Geographical Constituencies (Legislative Council) Order 2019.....	142 of 2019
Electoral Affairs Commission (Electoral Procedure) (Legislative Council) (Amendment) Regulation 2019.....	143 of 2019
Electoral Affairs Commission (Electoral Procedure) (District Councils) (Amendment) Regulation 2019.....	144 of 2019
Pharmacy and Poisons (Amendment) (No. 4) Regulation 2019.....	145 of 2019
Pilotage (Dues) (Amendment) Order 2019	146 of 2019
Pilotage Ordinance (Amendment of Schedule 2) Notice 2019.....	147 of 2019

Pesticides Ordinance (Amendment of Schedule 2) Notice 2019	148 of 2019
Solicitor Advocates (Higher Rights of Audience Certificates) Rules (Commencement) Notice	149 of 2019

Other Papers

Report of changes made to the approved Estimates of Expenditure during
the first quarter of 2019-20
Public Finance Ordinance : Section 8

The Standing Committee on Legal Education and Training
Annual Report 2018
1 January 2018 to 31 December 2018

Protection of Wages on Insolvency Fund Board
Annual Report 2018-19 (including Independent Auditor's Report and
Audited Financial Statements)

Supplementary Legal Aid Fund
Annual Report 2017

Independent Commission Against Corruption
Hong Kong Special Administrative Region Annual Report 2018 and
Reports of ICAC Advisory Committees

ICAC Complaints Committee
Annual Report 2018

Companies Registry Trading Fund
Annual Report 2018-19 (including Report of the Director of Audit and
Annual Accounts)

Office of the Communications Authority
Trading Fund Report 2018/19 (including Financial Statements and Report
of the Director of Audit)

Traffic Accident Victims Assistance Fund
Annual Report for the year from 1 April 2018 to 31 March 2019
(including Financial statements and Report of the Director of Audit)

Hong Kong Council on Smoking and Health
Annual Report 2018-2019 (including Financial Statements and
Independent Auditor's Report)

The Ombudsman, Hong Kong
2019 Annual Report (including Financial Statements and Independent
Auditor's Report)

Hongkong Post
Annual Report 2018/19 (including Financial statements and Report of the
Director of Audit)

Second Report of the Bills Committee on Inland Revenue (Amendment)
(Tax Concessions) Bill 2019

Report of the Bills Committee on Judicial Officers (Extension of
Retirement Age) (Amendment) Bill 2019

Report of the Bills Committee on Electoral Legislation (Miscellaneous
Amendments) Bill 2019

ADDRESSES

PRESIDENT (in Cantonese): Addresses. Mr Abraham SHEK will address the Council on the "Independent Commission Against Corruption Hong Kong Special Administrative Region Annual Report 2018 and Reports of ICAC Advisory Committees".

Independent Commission Against Corruption Hong Kong Special Administrative Region Annual Report 2018 and Reports of ICAC Advisory Committees

MR ABRAHAM SHEK: President, in my capacity as a member of the Advisory Committee on Corruption, I hereby brief Members on the Independent Commission Against Corruption ("ICAC") Annual Report 2018 tabled in this Council today.

The ICAC Annual Report 2018 was originally scheduled for tabling in the Legislative Council meeting on 10 July 2019 which, however, was cancelled. To give Members of this Council and the general public early access to the report, ICAC uploaded the report to its website on 10 July 2019.

Fighting corruption is a long-term and uphill battle. ICAC continues to adopt a three-pronged strategy, combining law enforcement, prevention and education in the fight against corruption.

Firstly, let me discuss law enforcement. ICAC discharges its enforcement duties impartially, making corruption a high-risk crime with strong deterrent effects. In 2019, the corruption situation in Hong Kong continued to be well under control. As revealed in the ICAC Annual Survey 2018, 98.4% of the respondents had not encountered corruption personally in the past 12 months. It clearly indicated a very low level of corruption in Hong Kong.

Last year, ICAC received 2 665 non-election related corruption complaints, of which about 66% concerned the private sector, 27% were related to government departments and 7% involved public bodies. A total of 97 election related corruption complaints were received, including 64 complaints concerning the two 2018 Legislative Council By-elections.

Let me now turn to prevention. Prevention is better than cure. ICAC continues to enhance systems and regulations to eliminate corruption loopholes and opportunities in both the public and private sectors.

In 2018, ICAC completed 69 prevention studies, 62 of which were related to government departments and public bodies and seven concerned private organizations. These studies covered a wide range of operational systems and functions, including the comprehensive reviews on the quality control system of major construction materials in government projects, the management of sports facilities and venues, and the regulation of private columbaria.

In addition, ICAC provided tailor-made corruption prevention input for government's initiatives on 559 occasions to ensure corruption prevention safeguards were incorporated in the formulation and early implementation stages of policies and procedures. ICAC also offered corruption prevention advice to private organizations upon request on 895 occasions, and handled 849 public

enquiries via the hotline for the Corruption Prevention Advisory Service. Corruption prevention training was also conducted and were attended by over 8 400 people in both the public and private sectors.

As regards the issue on education, the battle against corruption could not be won without transforming people's attitude towards corruption. In this connection, ICAC reaches out to the community, endeavouring to sustain zero tolerance of corruption amongst the public and encourage them to embrace integrity and ethical principles.

In 2018, ICAC continued its robust efforts to entrench the culture of probity in society, including organizing 920 integrity training seminars for over 40 000 civil servants and staff members of public bodies; reaching 44 000 workers of various trades through anti-corruption training; hosting its first-ever Youth Integrity Fest to engage young people to apply their creativity to spread the core value of probity; garnering support from over 800 organizations and reaching over 1 million people through various joint projects and community engagement activities; rolling out a multilingual publicity package to convey the "Don't Bribe" and "Report Corruption" messages to ethnic minorities, new arrivals and the general public. ICAC also developed interactive game modules using virtual reality and augmented reality technologies to let citizens experience various scenarios of corruption cases simulated in the game modules.

President and Honourable colleagues, both local and international surveys indicated that the value of probity is deeply entrenched in our society. The Heritage Foundation ranked Hong Kong the world's freest economy in its 2019 Index of Economic Freedom; Hong Kong has maintained this title for 25 consecutive years. The think tank applauded Hong Kong for having "a high quality legal framework [that] strongly supports the rule of law". "There is little tolerance for corruption, and a high degree of transparency enhances government integrity". In the ICAC Annual Survey, the general public demonstrated determination in upholding the core value of integrity and zero tolerance of corruption. Most respondents said they would report corruption if they come across it, indicating a high level of social trust in the work of ICAC.

Amid the growth of globalization and the rise of cross-boundary corruption, international collaboration is of the utmost importance in the war against corruption. Apart from undertaking the anti-corruption mission locally,

ICAC also shoulders the obligation to help build up the capacity of anti-corruption agencies of other jurisdictions under the framework of the United Nations Convention against Corruption. As at the end of 2018, active and constructive dialogues on training collaboration had been maintained with anti-corruption agencies of over 30 jurisdictions. In November 2018, ICAC sent experienced trainers to Myanmar and Cambodia to conduct training programmes for officers of their anti-corruption agencies.

President and Honourable colleagues, this year marks the 45th anniversary of ICAC, denoting that Hong Kong has come a long way in our transformation from a place plagued by corruption to a clean international metropolis. I, as a member of the Advisory Committee on Corruption, understand that ICAC will continue to stride forward steadfastly with its anti-corruption mission. As in the past, ICAC will keep its pledge of fighting for the anti-corruption cause, regardless of the difficulties and challenges ahead. With this, I hope members of the public will continue to render their wholehearted support to ICAC, as always.

Thank you, President.

PRESIDENT (in Cantonese): Mr Jeffery LAM will address the Council on the "ICAC Complaints Committee Annual Report 2018".

ICAC Complaints Committee Annual Report 2018

MR JEFFREY LAM (in Cantonese): President, in my capacity as Chairman of the ICAC Complaints Committee ("the Committee"), I am pleased to table before the Legislative Council the ICAC Complaints Committee Annual Report 2018 ("the Annual Report") on behalf of the Committee.

This is the 24th annual report of the Committee, which provides an account of our work for the year 2018. The Committee's major responsibility is to monitor the handling by the Independent Commission Against Corruption ("ICAC") of non-criminal complaints lodged against ICAC and its officers. The Committee also endeavours to identify any faults in ICAC's work procedures which might lead to complaints, and make recommendations for improvement.

Upon receipt of all complaints lodged either with the Committee or ICAC, the Internal Investigation and Monitoring Group ("L Group") of ICAC will conduct a preliminary assessment. If it considers that a full investigation is not warranted for some cases, it will state the reasons and submit an assessment report to the Committee. For complaints with sufficient information for follow-ups, L Group will conduct an investigation and submit an investigation report to the Committee. Investigation or assessment reports submitted by ICAC will be considered by the Committee at its meetings. When necessary, the Committee may seek additional information and further details from ICAC before drawing any conclusion on the complaints. The complainants and the ICAC officers targeted in the complaints will subsequently be advised of the Committee's conclusions.

In 2018, the Committee held three meetings at which the investigation reports of 17 complaints covering a total of 88 allegations were considered. Five allegations in four of the complaints were found to be substantiated or partially substantiated. Five ICAC officers in total were implicated in these allegations, two and three of whom were subsequently given verbal warning and advice respectively by their senior officers. In addition, the Committee also considered and endorsed nine assessment reports. The Committee agreed that there were no grounds or justifications in these complaints which would warrant formal investigations.

In considering the complaints, the Committee and ICAC will carefully examine the relevant internal procedures, guidelines and practices of ICAC to identify room for improvement through their updating, refinement and rationalization, with a view to keeping abreast of the times and furthering excellence. After careful examination of the investigation reports considered during 2018, ICAC had organized a number of briefing sessions and strengthened the training programmes for frontline officers to enhance their vigilance, techniques and knowledge in answering public enquiries, dealing with requests from complainants and suspects, and handling of items seized during search operations. Commencing in 2018, additional modules focusing on emotion management and effective interpersonal communication skills have also been included in the induction/preparatory course for new recruits and officers newly taking up duties in ICAC Report Centre.

By giving regular accounts on its work to the public through the publication of annual reports, the Committee seeks to enhance the transparency and accountability of its operation. Members are welcome to raise their views on the Annual Report with the Committee Secretary. Here I wish to thank Members and the public for their support for the Committee's work.

Thank you, President.

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Stand-over item: Six questions for oral replies (standing over from the meeting of 3 July 2019)

Tuen Mun South Extension

1. **MR LEUNG CHE-CHEUNG** (in Cantonese): *President, the Railway Development Strategy 2014 recommends the taking forward of seven new railway projects, including the Tuen Mun South Extension. The MTR Corporation Limited ("MTRCL") submitted a proposal on the Tuen Mun South Extension to the Government in as early as December 2016. On the other hand, it was reported in May this year that the Government was considering an idea of constructing an additional railway station near Tuen Mun Swimming Pool along the Tuen Mun South Extension, so that MTRCL could finance the railway construction costs through the revenues from the topside developments at that station. In this connection, will the Government inform this Council:*

- (1) *given that it has been two and a half years since the Government received the Tuen Mun South Extension proposal, when the Government will respectively announce the alignment of the railway and seek funding approval from this Council, if necessary;*
- (2) *of the details of the idea of constructing a new railway station near the Tuen Mun Swimming Pool; the details of the topside developments or the changes to be made to the community facilities involved; when it will consult the Tuen Mun District Council and this Council on that idea; and*

- (3) *given that in order to take forward the "Lantau Tomorrow Vision", the Government will conduct an area-wide transport study and an engineering feasibility study on the road and rail links connecting the Hong Kong Island, the artificial islands in the Central Waters, Lantau Island and the coastal areas of Tuen Mun, and such studies will not be completed until 2023, whether the implementation timetable of the Tuen Mun South Extension will be affected as a result; if so, of the details?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, my consolidated reply to Mr LEUNG Che-cheung's question is as follows:

The Transport and Housing Bureau announced the Railway Development Strategy 2014 ("RDS-2014") in September 2014. Having regard to transport demand, cost-effectiveness and the development needs of New Development Areas, RDS-2014 recommends that seven new railway projects be completed in the planning horizon up to 2031, including the Tuen Mun South Extension.

According to RDS-2014, the Tuen Mun South Extension will extend the West Rail Line by about 2.4 km from the existing Tuen Mun Station to Tuen Mun South. The Tuen Mun South Extension mainly serves to improve railway access to the community south of the current Tuen Mun town centre near Wu King Estate, Siu Hei Court and Yuet Wu Villa, and connectivity to Tuen Mun Ferry Pier, in order to facilitate the residents to use railway for their journeys.

Having regard to the indicative implementation window recommended in RDS-2014, the Transport and Housing Bureau had invited the MTR Corporation Limited ("MTRCL") to submit a proposal for the implementation of the Tuen Mun South Extension. MTRCL submitted a proposal for this railway project to the Government in end December 2016. The Transport and Housing Bureau, the Highways Department and relevant bureaux and departments have evaluated the proposal and requested MTRCL to provide additional information and supplement details. In carrying out the evaluation, our emphasis is to ensure that the proposal is practically feasible and can bring maximum benefits to the community.

Railway projects involve huge capital investment, and the Government has to plan in a prudent manner. The new railway projects proposed in RDS-2014 have different degrees of complexities. As clearly stated in RDS-2014, the taking forward of individual proposed railway projects set out in the Strategy will be subject to the outcome of detailed engineering, environmental and financial studies relating to each project, as well as updated demand assessment and availability of resources. Moreover, for railway projects which are mainly intended to complement new development areas and new housing developments, the implementation timetable for the development areas and new housing developments in question will be an important planning parameter for the railway projects. Therefore, the indicative implementation windows recommended in RDS-2014 may be adjusted having regard to any change in circumstances.

In planning the Tuen Mun South Extension, we need to consider the various impacts on nearby residents arising from the proposed alignment and the possible mitigation measures. Due to the tight housing supply and the potential housing supply that may be brought about by railway development, the Government is also reviewing the proposal submitted by MTRCL in this light. Having examined the proposal submitted by MTRCL and considered the urgency of the project and the land development potential that may be brought about, we plan to request MTRCL to commence the detailed planning and design for the Tuen Mun South Extension in the coming year, so that works of this project can commence as early as possible.

As regards the earlier media reports about the information of the Tuen Mun South Extension such as station location(s) and funding arrangement, I would like to take this opportunity to clarify that the Government did not release the information about the Tuen Mun South Extension through any channel or person. As I just mentioned, the Government is reviewing the proposal submitted by MTRCL in the light of the potential housing supply that may be brought about by railway development. Since the relevant work is still in progress, we are not in a position to disclose further information about the Tuen Mun South Extension at this stage, to avoid causing unnecessary speculation or misunderstanding.

I would like to reiterate that, in line with established procedures, prior to the finalization of any new railway scheme, we shall consult the public, including the Legislative Council and the relevant District Councils, on the details of the scheme.

Besides, the support from the Public Works Subcommittee of the Legislative Council had been obtained in May this year on the funding application for the "Studies related to artificial islands in the Central Waters" ("the Study"), which includes conducting transport infrastructure study on the road and railway links related to the project. These roads and railway will connect to the transport network along the coastal area of Tuen Mun, but their exact alignment, mode of construction and implementation programme are subject to the findings of the Study.

Generally speaking, the Tuen Mun South Extension project may have connection with a section of the railway related to the artificial islands in the Central Waters. We will request MTRCL to make provision for connection points in the Tuen Mun South Extension project for interchange and the related connection purposes in the future. Besides, the commissioning of the railway links related to the artificial islands in the Central Waters may alter the patronage behaviour of the Tuen Mun South Extension, such as diverting passengers who would otherwise be using the Tuen Mun South Extension/West Rail Line to the railway related to the artificial islands in the Central Waters. Nevertheless, the planning of the road and railway links related to the artificial islands in the Central Waters will generally not affect the implementation programme of the Tuen Mun South Extension. We will continue to closely liaise with the relevant bureaux and departments for the further planning of the Tuen Mun South Extension, so as to implement the Tuen Mun South Extension as soon as possible.

MR LEUNG CHE-CHEUNG (in Cantonese): *President, just now the Secretary mentioned in his main reply that while there were media reports referring to information regarding the station locations and funding arrangement of the Tuen Mun South Extension some time ago, the Government already clarified that it had no part in such reports. But then, such reports might not necessarily be stories without foundation.*

May I ask the Secretary whether the Government has conducted earlier on (i.e. early this year) a study on the Tuen Mun South Extension, internally or in collaboration with a consultancy, to obtain some information? If the answer is in the affirmative, then such reports are based not on rumours but may be the fact.

At present, residents of Tuen Mun are looking forward eagerly to the prompt completion of the Tuen Mun South Extension to provide service for residents in the vicinity of the pier. Nonetheless, it seems that the Government has been adopting a "laid-back" approach, delaying the project for five years without putting forward a construction plan. Now, it is mentioned again in the Policy Address that a study will be conducted by MTRCL. Yet, the crux of the matter is whether the authorities will appoint MTRCL or identify other companies to take up the project. With regard to this point, I would like the Secretary to make some clarifications in front of the public.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr LEUNG for his question. The Tuen Mun South Extension is an infrastructure project of great significance to the New Territories West. I fully understand the keen demand of the residents of Tuen Mun District for the railway project, so our target is to commission the relevant project as soon as possible. Regarding our communication and interaction with MTRCL, as I said earlier, while MTRCL had submitted an initial proposal in December 2016, we had subsequently requested MTRCL in 2017 to provide additional information.

Members would understand that for the development in Tuen Mun as well as that of the artificial islands in Central Waters we referred to, these are relatively new elements, and we have to take these elements into consideration in conducting overall planning, so as to update the layout plan as a whole. Under such circumstances, we have to give careful consideration. First, we have to consider the needs of local residents, the urgency of the infrastructure project concerned and its relevance to future development. We are obliged to complete the relevant tasks properly, then consult the District Councils concerned as well as Members of the Legislative Council in accordance with the established procedures and communicate with stakeholders for views collection, before proceeding to detailed planning and design. Here, I would like to help Members and the public understand that the Government is addressing the pressing needs of the public.

Regarding certain reports made earlier on this year concerning some so-called "design", as referred to by the Member, we have not released any information through any channel or person. Matters relating to the detailed design and construction of the projects have been set out clearly in the Policy

Address, stating that we will commission the work of the three railway projects in the coming year, and the Tuen Mun South Extension is clearly one of the railway projects. I wish to make it clear here for the record.

MR MICHAEL TIEN (in Cantonese): *Secretary, as pointed out in the Policy Address recently, the authorities will examine the setting up of a new department to be responsible for handling and overseeing the planning and construction of railways as well as implementing proposals studied. This new department to be put under the Transport and Housing Bureau is in line with my proposal for setting up an independent railway development department put forth in my Members' motion. I have to commend the Secretary and give him a "like". Now, I would like to speak on the railway alignment. As I have mentioned in the past, while the one-stop design of Tuen Mun South Extension at the pier lacks suitable sites for MTRCL's development projects, such sites would be available if the station should be located in the vicinity of the swimming pool.*

If this model of railway development, i.e. the "rail plus property development" model, is adopted, as the Secretary are also aware, the Government will not have to bear any cost, not even a single dollar, and the Government will not be involved even if cost overruns are recorded.

At present, the estimated cost overrun of the Shatin to Central Link ("SCL") is at least \$20 billion. Had the authorities adopted the said funding model back then, this problem could have been avoided. The authorities should also adopt this funding model for the Northern Link in future.

My supplementary question is straightforward. Regarding the "rail plus property development" model, has the Government identified any downside, such that this model is not adopted for the SCL development? I wish to know the views of the Government on this model. Would the Secretary respond to this?

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

Regarding the railway department just mentioned, it is stated clearly in the Policy Address that the Transport and Housing Bureau will study this carefully. The objective of setting up the department is to provide quality railway services

for the public, and throughout the process, the future implementation of railway projects will be closely monitored to ensure that construction quality, schedules and costs are properly specified and meet with the requirements. Certainly, daily operation is also extremely important, while railway safety and safety of the public and passengers are also of utmost importance. Hence, the overseeing of daily operation and maintenance efforts are also within the scope of the study.

As for the railway alignment of the Tuen Mun South Extension, as I have said earlier, I am not in a position to disclose any information at the present stage. Regarding the financial arrangement mentioned by Mr TIEN just now, in the many railway projects carried out in the past, apart from the "rail plus property development" approach, we have also adopted the cash subsidy approach. Basically, in drafting the content of the detailed planning at present, the "rail plus property development" model as well as other funding approaches are within our scope of consideration.

Mr TIEN also asked about the reason for not adopting the "rail plus property development" model for SCL. I trust that colleagues should have considered all possible options and given regard to the actual situation at the time as well as the characteristics of SCL when considering the various funding approaches back then. Since SCL involves the East West Corridor and the North South Corridor, as well as railways under MTRCL and the Kowloon-Canton Railway respectively, the overall situation of SCL is more complicated than a brand new railway link, and such situation is already reflected in the actual operation.

MR KENNETH LAU (in Cantonese): *President, New Territories West is a focus of future development, development projects at Hung Shui Kiu, Yuen Long South and Kam Tin South will be implemented in succession. It is expected that the population of the district will increase by 400 000 by 2025. Hence, the construction of railway can brook no delay.*

May I ask the Government whether it will reconsider the construction of the Tuen Mun to Tsuen Wan Link to alleviate the traffic flow in New Territories West? Moreover, in the implementation of the "Lantau Tomorrow Vision" in future, will the authorities examine the inclusion of the Tuen Mun to Tsuen Wan Link for overall consideration?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, thanks Mr LAU for his supplementary question.

Speaking of the Tuen Mun to Tsuen Wan Link, a number of Members, including Mr LAU, have mentioned about it in the past. I understand that in the course of population growth, road infrastructure projects are extremely important, and since the public would after all give priority to convenient and fast options, railways are the preferred arrangement.

In RDS-2014, the feasibility of the Tuen Mun to Tsuen Wan Link has been assessed by the consultant. According to the analysis at the time, the local population along the coastline of Tuen Mun and Tsuen Wan was mainly concentrated at the eastern and western ends, while the development density of the remaining areas remained relatively low, and hence no basis for new source of passengers was anticipated. Yet, if the demographic distribution changes in future, it is natural that the analysis should be subject to review. Moreover, since the link will run along the coastline, Members have to understand that the coastline and land conditions along the coastal link from Tsuen Wan to Tuen Mun pose some technical difficulties which need to be overcome. According to the understanding back then and at present, the construction cost of the Tuen Mun to Tsuen Wan Link along the coastline is considerably high. Yet, with the future development of artificial islands in Central Waters and the peripheral areas, a review has to be conducted in the light of future planning. Certainly, apart from railways, we will consider the relevant road networks, such as Route 11 and the traffic improvement works in Tuen Mun South which we have discussed some time ago. We will consider all these in a holistic manner. In this connection, if Mr LAU has any other views, I am pleased to follow up with him later, and I will also listen to the views of Members present.

IR DR LO WAI-KWOK (in Cantonese): *President, after years of study and consultation, the Transport and Housing Bureau of the previous term finally published the RDS-2014 in September 2014, recommending that seven new railway projects, namely, the Northern Link and Hung Shui Kiu Station, Tung Chung West Extension, the Tuen Mun South Extension, the new East Kowloon Line, the South Island Line (West) and the North Island Line, should be completed within the planning period spanning up to 2031. This Council and various sectors of society support this recommendation in general. We hope that the Government will expeditiously implement these railway development plans which are of utmost importance to people's livelihood. Regrettably, it is*

not till the delivery of the Policy Address by the Chief Executive this month that the authorities express in a relatively affirmative manner that three of those projects, namely, the Tung Chung West Extension, Tuen Mun South Extension and the North Island Line, will be implemented.

The remarks of the Secretary for Transport and Housing, Frank CHAN, today prompt worries in me and among my friends in the trade about the possibility of the completion of the few remaining projects within the planning period spanning up to 2031. Hence, my question to the Secretary is straightforward: Do the authorities still have the determination to implement all the seven new railway projects but not merely three of them? I sincerely hope that in the implementation of railway projects, the Government will act decisively and swiftly.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Ir Dr LO for his supplementary question. As we have elaborated clearly in the RDS-2014 report, the assessment back then was conducted according to the development timetable of the seven railways, and it has been stated clearly that regards should be given to future studies, financial feasibility and development support. Hence, the target of completion by 2031 was proposed with reference to the situation at the time. After that, the Government carried out a lot of work, including inviting MTRCL to conduct a preliminary study on five railway links. Subsequently, MTRCL submitted the report of the initial study and the Government invited MTRCL to conduct the initial study on the South Island Line (West) and Hung Shui Kiu Station. Basically, a large part of the study of the seven railway links has been completed while certain parts are still in progress. Moreover, for the next year, we have announced the detailed planning and construction design for three major railway projects, reflecting duly the Government's determination in constructing railway to provide convenient transport services for the public.

Certainly, regarding Ir Dr LO's earlier question as to whether authorities are confident to complete the seven railway projects by 2031, basically, I hope Ir Dr LO and Members present would understand that the proposal mentioned back then was merely an indicative schedule rather than a confirmed timetable, a point which I have pointed out clearly in my main reply earlier indeed. Hence, we will take forward the relevant projects as soon as possible in the light of the development in society, traffic demands and the prevailing tight housing supply in Hong Kong.

Naturally, we will face different challenges in taking forward different projects. As in the case of East Kowloon Line and Northern Island Line mentioned by Ir Dr LO just now, we have discovered in the course of study a number of challenges which need to be overcome, and the Government and the MTRCL team are still examining the issues. I believe that at an appropriate time when we have the detailed information, we will come to the Legislative Council to give an account to Members.

PRESIDENT (in Cantonese): Second question.

Vacancy information of public car parking spaces

2. **MR YIU SI-WING** (in Cantonese): *President, as at the end of February this year, there were a total of 276 government and commercial public car parks disseminating vacancy information of their car parking spaces to the public through "HKeMobility", a mobile application of the Transport Department. However, the vacancy information of car parking spaces of government car parks disseminated through the application is not real-time, and the application does not cover all commercial public car parks. In this connection, will the Government inform this Council:*

- (1) of the respective current numbers of government and commercial public car parks disseminating vacancy information of their car parking spaces through the application; the respective numbers of car parking spaces of these two types of car parks and their percentages in the relevant totals;*
- (2) of the reasons why the application cannot cover all public car parks in Hong Kong; and*
- (3) whether it will make improvements, first by disseminating real-time vacancy information of car parking spaces of government car parks through the application, and then by introducing measures to encourage operators of commercial public car parks to disseminate such information; if so, of the details and timetable; if not, the reasons for that?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, my reply to the various parts of Mr YIU Si-wing's question is set out below:

- (1) To promote smart mobility and assist motorists in finding parking spaces, the Transport Department ("TD") has started disseminating parking vacancy information to the public through its "HKeRouting" mobile application since 2016. Subsequently, TD launched in July 2018 an all-in-one mobile application "HKeMobility", integrating "HKeRouting" and two other mobile applications in relation to public transport and driving information to provide one-stop public access to such information.

As at end September 2019, "HKeMobility" provided parking vacancy information of 28 government public car parks and 302 non-government public car parks, involving over 53 500 parking spaces. Government public car parks mainly cover car parks managed by government departments, such as TD, the Government Property Agency ("GPA") and the Housing Department ("HD"). Of the above mentioned over 53 500 parking spaces, about 6 900 are managed by the Government, while the remaining 46 600 parking spaces are in non-government public car parks. These parking spaces account for about 57% and 24% of the total number of parking spaces in these two categories of public car parks respectively.

- (2) We understand the community expectation for dissemination of additional real-time parking vacancy information by the Government. In this connection, TD has been encouraging other government departments and operators of non-government car parks to provide real-time parking vacancy information and data of their car parks to the public through TD's "HKeMobility" and the Government's Public Sector Information Portal "data.gov.hk".

The progress of disseminating real-time parking vacancy information is, nonetheless, subject to other constraints, including that some car parks are not installed with real-time parking vacancy information systems, and that there are no provisions in the existing land leases of non-government car parks requiring car park operators to provide real-time parking vacancy information.

TD will continue its efforts to encourage more car park operators to open up their parking vacancy information and data.

- (3) Of the existing 28 government car parks with parking vacancy information disseminated, 11 are managed by TD. To make available additional real-time parking vacancy information of government car parks, except for the Yau Ma Tei Car Park which will be demolished to make way for the construction of the Central Kowloon Route, TD completed in June 2019 enhancement of the access control systems of 10 multi-storey car parks under its management. The original manual updating of parking vacancy information at half-hourly intervals has thus been upgraded to automatic updating of real-time parking vacancy information for dissemination through "HKeMobility" and "data.gov.hk". The above mentioned 10 multi-storey government car parks involve a total of some 4 700 parking spaces, the real-time parking vacancy information of which has been fully disseminated. As regards the Wong Tai Sin Public Transport Terminus Car Park commissioned in September 2019, TD expects that its real-time parking vacancy information will be disseminated by the end of this year.

On the other hand, TD has held follow-up meetings with other government departments for sharing of experience and to brief them on practical technological solutions to facilitate their adoption of suitable measures for collecting and disseminating parking vacancy data. In this connection, GPA, HD and the Leisure and Cultural Services Department have taken steps to incorporate new requirements into their new contracts for car park management, requesting car park operators to disseminate parking vacancy information. With the progressive renewal of car park management contracts, we expect that the parking vacancy information of all government car parks could be fully disseminated in three to four years.

Regarding non-government car parks, after discussion between TD and the Lands Department ("LandsD"), LandsD has incorporated since mid-2018 provisions into new short-term tenancy agreements of fee-paying public car parks, mandating operators to provide

parking vacancy information and data of their car parks to the Government. With the gradual replacement of old short-term tenancy agreements by new ones containing the above mentioned new provisions, TD expects that the number of short-term tenancy car parks providing parking vacancy information will be on the rise.

TD will continue to liaise with developers and operators of other non-government public car parks, and appeal for and encourage their participation in providing parking vacancy information. In line with the prevailing trend of open data, they will also be encouraged to provide real-time data as early as practicable with a view to promoting smart city development and fostering smart mobility. Indeed, with TD's efforts in the past few years, some developers and operators of non-government public car parks have been providing relevant information to TD progressively.

On the other hand, TD will install a total of 12 000 new generation of parking meters by batches starting from the first half of 2020. The new parking meters will be equipped with vehicle sensors to detect whether individual parking spaces are occupied, and such real-time information and data will be disseminated through TD's website, "HKeMobility" and "data.gov.hk" for reference and use by the public and the technology sector. We expect that the installation works will be fully completed in the first half of 2022. Motorists will then be able to get hold of the real-time parking vacancy information of on-street metered parking spaces, which will facilitate their search for parking spaces and help reduce the traffic generated by vehicles circulating on roads in search of parking spaces.

MR YIU SI-WING (in Cantonese): *Secretary, yesterday the Office of The Ombudsman published its investigation report on ancillary facilities for electric private vehicles, exposing the Government's poor management of charging spaces in public car parks, where charging spaces for electric vehicles ("EVs") were found to be occupied by non-EVs, as well as the relatively low utilization rate of charging spaces. And, at present, information systems, such as "HKeMobility", do not provide vacancy information of charging spaces specially.*

In this connection, I wish to ask the Secretary if there is any plan to upgrade "HKeMobility", including the functions of the systems the Secretary has just mentioned, so as to enhance the provision of information on charging spaces for EV drivers' convenience. If so, when are such functions expected to be introduced? If there is no such plan, what are the reasons?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese):

President, I thank Mr YIU for asking the supplementary question. We have also taken note of the views given by The Ombudsman on EVs and charging facilities. Regarding the parking spaces for charging EVs provided in TD's or government public car parks, generally speaking, we would put in our best efforts to undertake the tasks relevant to the proper management of such charging spaces. For example, we would normally situate such parking spaces in the vicinity of the toll booths to facilitate staff members in charge to carry out inspections and make arrangements. Of course, we have also noticed situations where some people may have difficulty locating parking spaces or even take advantage of the convenient located parking spaces. However, we are also aware that there are situations where a car park has almost reached full occupancy but still has one or two vacant charging spaces, if the vehicle entering the car park subsequently is of an internal combustion model, should it be forbidden to enter? As regards such situations, we must also factor in the overall ancillary measures and facilities. Mr YIU also enquired if "HKeMobility" or even other websites can consolidate such information and upload it to the Internet. In this connection, we will go back and review the relevant situations because we have to review the actual situation to examine the so-called actual effectiveness of the matching function before making modifications to the installation concerned. We will conduct a review.

IR DR LO WAI-KWOK (in Cantonese): *President, I originally intended to ask if information of charging spaces could be disseminated through smart networks, but Mr YIU Si-wing has already asked it in his supplementary question. Hence, I wish to ask another question for further follow-up purposes. In addition to provision of information, does the Secretary have any concrete plan to increase the number of charging spaces in government car parks, so as to dovetail with the Government's basic strategy to promote the use of EVs?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Ir Dr LO for asking the supplementary question. I believe Members would have noted that as mentioned in the Policy Address this year, the Environment Bureau has earmarked a sum to increase the number of charging spaces, especially those inside private properties. Government departments will also make every endeavour to complement the relevant work of the Environment Bureau.

Of course, as we all know and have also discussed in the Council, the overall supply of parking spaces in Hong Kong falls way short of the number of vehicles. Therefore, in terms of the supply and management of charging spaces, a balance has to be struck as well. Nonetheless, various Policy Bureaux have maintained communication regarding the promotion of smart emission reduction, reduction of roadside emissions and the use of EVs. TD will, make every endeavour to dovetail with the Environment Bureau's policies and support the Bureau's efforts relevant to EVs and charging spaces.

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

IR DR LO WAI-KWOK (in Cantonese): *Actually, I have clearly stated that I was asking about government car parks, by that I mean I wish the Government could more proactively increase the number of EV charging spaces. Of course, the Environment Bureau also has other plans to assist private car parks in increasing the number of charging spaces. I hope the Secretary can give a concrete answer as to whether the Government has similar plans.*

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

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Ir Dr LO for his follow-up question. We will follow it up with the Environment Bureau.

MR WILSON OR (in Cantonese): *Secretary, it is no wonder that people have found it increasingly difficult to understand what the Government is doing. In fact, real-time parking vacancy information has been under discussion for years and quite an amount of money has been spent, yet today we still hear the Secretary talk about coordination among departments, studies on the technical aspect, etc. If you ask me, I think the progress is made at a snail's pace. Secretary, it is made at a snail's pace. Secretary, I hope that you would devote more efforts. Given the situations Hong Kong is facing today, many citizens have very high expectations for the Government. May you please step up efforts to urge your colleagues to make every endeavour to rectify the transport conditions in Hong Kong?*

Secretary, here is the question I wish to ask. Given the shortage of parking spaces for many nanny vans and big goods vehicles, which is a pressing issue, and that your measures to provide real-time parking vacancy information are yet to be completed, do you have other ways to increase the number of parking spaces in the short run so that more parking spaces will be available for such business vehicles?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr OR for asking the supplementary question. We have undertaken much communication inside and outside the Council regarding the issue of parking spaces. In terms of parking spaces for commercial vehicles, the Government has introduced a series of measures, including nighttime parking arrangements on non-busy roads. Besides, through the application of "single site, multiple uses", more parking spaces will be provided in government facilities and buildings as far as practicable, and the supply of parking spaces under short-term tenancy will be increased. What is more, as mentioned earlier on, information on vacant parking spaces will be provided to enable citizens to locate parking spaces in a timely manner. Of course, considering the parking needs of tourist vehicles and commercial vehicles, we have purposely identified in various districts a number of parking spaces, as well as pick-up or drop-off spots for tourist vehicles. Hence, we can see that various government departments and Policy Bureaux have been tirelessly undertaking relevant work. However, more time is needed to seek land and implement construction works. Through the use of technology, including smart car parks, more vehicles can be parked on relatively smaller pieces of land. As far as all of the aforementioned tasks are concerned, we will continue to put in our best efforts and hope that Members can give comments after some results are achieved in due course.

MR CHU HOI-DICK (in Cantonese): *President, I am not sure if this supplementary question is a bit off topic. But as Mr Wilson OR has asked a question on the overall supply of parking spaces, I also wish to ask the Secretary the following question. As he has mentioned that the present problem lies in the overly rapid growth of vehicles, especially private cars while the increase of parking spaces has failed to keep up with it, and given that the Transport Advisory Committee has requested the authorities to adopt multiple approaches to curb such growth, especially that of the number of private cars, what measures will the Bureau and the Government as a whole adopt?*

PRESIDENT (in Cantonese): Mr CHU, I consider that your supplementary question has digressed from the scope of the main question. Nevertheless, Secretary, do you have anything to add?

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

MR LEUNG CHE-CHEUNG (in Cantonese): *President, it is not easy to become a smart city, and the Hong Kong Special Administrative Region has been progressing at a snail's pace to this end. For instance, I read in the Secretary's main reply that even for some outsourced government car parks, such measures can only be implemented after making changes in the contracts. We cannot help but feel disappointed.*

There is a severe shortage of parking spaces in Hong Kong, and the Legislative Council has noticed a shortage of parking spaces in government buildings when vetting and approving public works projects. We have given many views but those government departments dared not adopt them, because the Transport and Housing Bureau has not rendered concrete and crucial advice in this respect, which is about the severe shortage of parking spaces in Hong Kong. Therefore, notwithstanding the introduction of "HKeMobility", parking spaces may not necessarily be found. I wish to ask the Secretary a question. As the government agency in charge of this area, will his Policy Bureau request other works departments to make recommendations for providing more parking spaces for public use in their building construction projects?

PRESIDENT (in Cantonese): Mr LEUNG, your supplementary question has also digressed from the scope of the main question. However, Secretary, do you have anything to add?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, as regards the questions raised by the two Members just now, please allow me to discuss with them in detail after the meeting.

MR AU NOK-HIN (in Cantonese): *Secretary, I am the secretary of an owners' corporation. Here is my question. Given that it is basically impossible for housing estates to provide some parking spaces or even some information of their parking spaces, and modification of land lease is not an applicable approach, has the Government considered making use of some policies or new measures to allow the owners' corporations to find suitable locations and designate them as parking spaces for public use?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr AU for his supplementary question. What I have just referred to was public parking spaces in some public car parks, including government public car parks and privately-run public car parks. If we are talking about car parks inside residential buildings, such facilities are basically ancillary car parks which are privately-owned, and the provision of the service concerned is subject to the owners' corporations' consideration. If there are relatively fewer parking spaces in a car park and there is a need to install an automatic updating system for parking vacancy information to detect parking conditions and make such information available on the Internet, we certainly welcome it. However, whether the cost incurred is compatible with the owners' corporations' consideration, I believe owners' corporations will make independent decisions on their own.

Of course, the Government's position is to promote the development of Hong Kong into a smart city and promote smart mobility, and to minimize the need for vehicles to search for parking spaces on roads to help reduce traffic congestion. These are also what we have been recommending. Therefore, as I have just pointed out in the main reply, we have been vigorously promoting installation of information systems for parking vacancy information in not just government car parks or car parks under short-term tenancy agreements but also

private car parks, as well as encouraging publication of such information online. Our attitude is that we have the same expectation for all car parks. But I have explained the practical considerations. If the numbers of residential flats and parking spaces were relatively small, I believe it would be more appropriate to leave the decision to the owners' corporations.

PRESIDENT (in Cantonese): Third question. Mr Andrew WAN.

(Dr KWOK Ka-ki and a number of Members repeatedly shouted a slogan aloud: "John LEE, step down")

PRESIDENT (in Cantonese): Will Members please stop shouting, otherwise I will regard your behaviour as grossly disorderly.

Mr Andrew WAN, will you ask your main question?

Applications for naturalization as a Chinese national

3. **MR ANDREW WAN** (in Cantonese): *President, quite a number of members of the ethnic minorities ("EM") wish to apply for the Hong Kong Special Administrative Region Passport to facilitate their travelling and studying abroad. As only Chinese citizens may apply for the passport, they have to apply for naturalization as a Chinese national. Despite having resided in Hong Kong for years (quite a number of them and their older generations were born and raised in Hong Kong), they have encountered quite a number of difficulties when applying for naturalization, including that they need to wait for a long time and pay high fees, as well as that they are not informed of the reasons when their applications are rejected and no appeal channel is available. As a result, such EM members, who regard Hong Kong as their home, have lost their sense of belonging to Hong Kong, and some of them even chose to emigrate to other countries. Regarding the applications for naturalization by EM members, will the Government inform this Council:*

- (1) *of the respective numbers of naturalization applications received, approved and rejected by the Immigration Department ("ImmD"), as well as the number of applications withdrawn, in each of the past 10 years, together with a tabulated breakdown by ethnicity;*

- (2) *given that ImmD will, in processing naturalization applications, consider 10 factors such as whether the applicant has the right of abode in Hong Kong and whether the applicant has sufficient knowledge of the Chinese language, of the minimum number of such factors for which applicants attained positive scores in order for their applications to be considered; whether it will regard the applicant's duration of residence in Hong Kong as one of the factors; if so, of the details; if not, the reasons for that; and*
- (3) *given that under the existing legislation, ImmD is not required to assign any reason for its decisions to reject naturalization applications, and applicants may not lodge any appeal against such decisions, whether the Government will amend the relevant provisions so as to avoid EM members whose naturalization applications have been rejected feeling confused and being discriminated against; if so, of the details; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Cantonese): President, in accordance with the Hong Kong Special Administrative Region Passports Ordinance (Cap. 539, Laws of Hong Kong), one of the conditions for the issuance of a Hong Kong Special Administrative Region ("HKSAR") Passport is that the applicant must be a Chinese citizen. According to Article 18 of and Annex III to the Basic Law, the Nationality Law of the People's Republic of China ("CNL") has been applied in HKSAR since 1 July 1997. The Standing Committee of the National People's Congress has endorsed "The Explanations of Some Questions by the Standing Committee of the National People's Congress Concerning the Implementation of the Nationality Law of the People's Republic of China in the Hong Kong Special Administrative Region" ("the Explanations") and authorized the HKSAR Government to designate its Immigration Department ("ImmD") to handle applications related to Chinese nationality in HKSAR in accordance with CNL and the Explanations. Furthermore, the HKSAR Government enacted the Chinese Nationality (Miscellaneous Provisions) Ordinance (Cap. 540) ("the Ordinance") in 1997 to stipulate the implementation details of nationality applications, form of applications, charges, etc.

My reply to the various parts of the question raised by Mr WAN is as follows:

- (1) From 2009 to 2018, ImmD had received a total of 14 645 applications for naturalization as a Chinese national, of which 10 844 were approved, 1 707 refused and 228 withdrawn or not processed further. Some 1 800 remaining applications are being processed or were completed in a year different from that in which the applications were made. Please refer to Table 1 for a breakdown of the numbers of applications by year.

Regarding the original nationalities of applicants with their applications for naturalization as a Chinese national approved, applicants with their applications for naturalization as a Chinese national approved from 2009 to 2018 mainly originated from the nationalities of Indian, Pakistani, Indonesian, Vietnamese and Filipino. Please refer to Table 2 for a detailed breakdown of the numbers of applications for naturalization as a Chinese national received and approved.

- (2) Pursuant to Article 7 of CNL, foreign nationals or stateless persons who are willing to abide by China's Constitution and laws and who meet one of the following conditions may be naturalized upon approval of their applications:
 - (a) they are near relatives of Chinese nationals;
 - (b) they have settled in China; or
 - (c) they have other legitimate reasons.

Any person who meets the requirements of CNL can apply to ImmD for naturalization as a Chinese national.

In processing an application for naturalization as a Chinese national, ImmD will consider whether the applicant meets the relevant requirements stipulated in CNL, and it will also fully consider the merits of each application. In general, without regard to the race, colour or religion of the applicant, consideration will be given to the following factors:

- whether the applicant has a near relative who is a Chinese national having the right of abode in Hong Kong;
- whether the applicant has the right of abode in Hong Kong;
- whether the applicant's habitual residence is in Hong Kong;
- whether the principal members of the applicant's family (spouse and minor children) are in Hong Kong;
- whether the applicant has a reasonable income to support himself/herself and his/her family;
- whether the applicant has paid taxes in accordance with the law;
- whether the applicant is of good character and sound mind;
- whether the applicant has sufficient knowledge of the Chinese language;
- whether the applicant intends to continue to live in Hong Kong in case the naturalization application is approved; and
- whether there are other legitimate reasons to support the application.

ImmD will take into full account the above factors and make decisions on a fair and appropriate basis. Whether the applicant lives in Hong Kong is one of the factors to be considered. Each application will be handled by ImmD on its merits, and its assessment will not be based on a single criterion. Therefore, in assessing an application, there is no such requirement that the applicant must meet a certain number of criteria before his/her application for naturalization as a Chinese national will be approved. Likewise, failing to meet any individual criteria above does not necessarily mean that the application must be refused.

- (3) ImmD implements CNL in HKSAR in accordance with the requirements of the Ordinance. Section 5(1)(b) of the Ordinance concerning nationality applications applies only to decisions in the exercise of discretion. In exercising discretion to handle applications for naturalization as a Chinese national, ImmD often needs to consider certain sensitive information such as whether the applicants are of good character. It is therefore not appropriate to disclose the reasons behind the decisions. Decisions made after considering the relevant factors are decisions made in the exercise of discretion, rather than judgment based on findings of the law or facts. If an appeal channel is allowed for such decisions, the final decisions will be made by the appellate authority instead of ImmD, which is designated by the HKSAR Government as authorized by way of the Explanations.

Individual applicants who are not satisfied with the application results may request ImmD in writing to reconsider their applications. All reconsiderations will be handled fairly. In addition, applicants whose HKSAR passport applications have been refused may lodge an appeal to the HKSAR Passports Appeal Board.

Table 1

Numbers of Applications for Naturalization as a Chinese National
and the Application Results (2009 to 2018)

<i>Year</i>	<i>Number of Applications</i>	<i>Number of Applications approved</i>	<i>Number of Applications refused</i>	<i>Number of Applications withdrawn</i>
2009	1 295	955	222	13
2010	1 263	729	124	11
2011	1 219	940	356	13
2012	1 274	817	173	13
2013	1 477	1 258	232	49
2014	1 458	1 205	115	38
2015	1 689	1 012	126	20
2016	1 631	1 320	114	16

<i>Year</i>	<i>Number of Applications</i>	<i>Number of Applications approved</i>	<i>Number of Applications refused</i>	<i>Number of Applications withdrawn</i>
2017	1 534	1 171	122	21
2018	1 805	1 437	123	34
Total	14 645	10 844	1 707	228

Note:

The numbers of applications approved, refused or withdrawn generally do not fully correspond to the numbers of applications received in a particular year since the receipt and completion of processing of an application may not fall in the same year.

Table 2

Original Nationalities of Applicants whose Applications for Naturalization as a Chinese National were Approved from 2009 to 2018

<i>Original Nationality</i>	<i>Number of Applications</i>	<i>Number of Applications approved</i>
Indian	3 850	2 880
Pakistani	3 445	2 245
Indonesian	2 528	2 298
Vietnamese	1 558	1 221
Filipino	1 139	877
Others	2 125	1 323
Total	14 645	10 844

Note:

ImmD does not maintain breakdown statistics on the original nationalities of applicants whose applications for naturalization as a Chinese national were refused or withdrawn.

MR ANDREW WAN (in Cantonese): *Sorry, President, your voice was rather soft and I did not hear you call me.*

President, I am not pleased with the Secretary's reply just now. One main reason is that according to the data provided by him, among those EM members whose older generations lived in Hong Kong, one third to one quarter of them have had their applications refused, and what dissatisfies me most is the

transparency of information. I have this supplementary question. At present, instead of adopting the EM classifications used by the Census and Statistics Department or the Home Affairs Department, the Bureau has classified some of them, such as Thais and Nepalese, as "other ethnicities". Based on reports available in the community and our observation, I have grounds to suspect that the Bureau has put into the same group those with a higher chance of being naturalized, such as Caucasians from Europe and the United States, thereby giving unclear information or even causing us to have misjudgement. May I ask the Secretary whether he can provide more accurate and transparent information in this respect, as well as establish an appeal board under ImmD and invite other independent parties to join the board, so as to make the relevant information more transparent and open?

SECRETARY FOR SECURITY (in Cantonese): President, the information we provide focuses mainly on the several nationalities which are most common and have submitted relatively more applications. As I have said just now, insofar as applications for naturalization as a Chinese national are concerned, we are referring to a foreign national or stateless person. Thus, the criterion concerned has nothing to do with the applicant's original nationality. We will only consider the three criteria mentioned in my main reply, namely whether the applicant is a near relative of Chinese nationals, has settled in China or has other legitimate reasons. ImmD makes public the 10 factors that it will take into account in order to enhance transparency. Hence, upon taking into full account Members' wish to obtain more details here, we have provided the Legislative Council with the relevant information.

As to the proposal for establishing an appeal board (regardless of its membership), I have explained quite clearly in the main reply. The relevant legal provisions are clear. CNL and the Explanations clearly stipulate that applications for naturalization as a Chinese national processed in Hong Kong shall be decided by officials under ImmD. If an appeal mechanism is established, the decisions will eventually be made by the appellate authority, which will not be in conformity with CNL, the Explanations and the existing provisions of the Ordinance in Hong Kong.

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

MR ANDREW WAN (in Cantonese): *My supplementary question is clear, and is asking about the other ethnicities. Could the Secretary, insofar as other ethnicities are concerned, provide this Council with a breakdown by the Government's classification of major ethnicities? President, may I ask if the Secretary can provide the relevant figures?*

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

SECRETARY FOR SECURITY (in Cantonese): I will request ImmD to collate the relevant information. (Appendix I)

MR VINCENT CHENG (in Cantonese): *Secretary, currently in processing applications for naturalization as a Chinese national, ImmD will consider the 10 factors mentioned in the main reply just now in order to reach a decision. Let us not comment on whether the 10 factors are subjective and reasonable for the time being. But the relevant information can more readily be verified, such as whether the applicant has the right of abode in Hong Kong, whether his/her habitual residence is in Hong Kong, and whether he/she has a reasonable income. Nevertheless, we have come across quite a number of cases and in one case, a Pakistani woman had waited more than a year before was informed of the refusal of her applications for naturalization as a Chinese national and the HKSAR Passport.*

May I ask ImmD about its procedures in processing such applications, and why it takes as long as one year? Is it due to a shortage of manpower or other reasons? Will ImmD conduct a review or expedite the procedures?

SECRETARY FOR SECURITY (in Cantonese): I thank Member for the question. ImmD's performance pledge regarding applications for naturalization as a Chinese national is that 80% of the applications will have the vetting and approval processes completed within three months. In fact, insofar as ImmD's performance in this area is concerned, 91% of the applications can have their vetting and approval processes completed within three months. Hence, ImmD has fully fulfilled its performance pledge.

Why are there cases the vetting and approval processes of which cannot be completed in three months? According to the procedures of ImmD, immigration officers will first meet with the applicants. The applicants will generally make enquires at ImmD offices, where immigration officers will explain to them the 10 major factors of consideration referred to just now. When the applicants decide to proceed with the applications after consideration, ImmD will then process their applications and in general allow six weeks for them to submit documents. However, some applicants may take quite some time to submit documents or need to further submit the required but outstanding documents. For this reason, ImmD will, in general, first request the applicants to submit documents within six weeks. If they fail to do so, ImmD will request them to submit again within the next four weeks. And in case they still fail to do so, they will be given two more weeks to submit, making it a total of 12 weeks.

Nevertheless, in some cases, the information provided by the applicants is often insufficient, or they need a longer time to get ready the supplementary information requested by us, thereby causing delay. Hence, some cases require a longer processing time. ImmD has deployed additional manpower to process such applications. Under the original establishment, there were only six officers in charge of it. But as we hope that such applications can be processed as soon as possible, ImmD has reallocated its resources. At present, ImmD has deployed 16 officers to process such applications for naturalization as a Chinese national, and I hope Members will appreciate that each case is individual. If the applicants can provide information on time to facilitate decision-making by ImmD, the vetting and approval processes of the applications can generally be completed within three months, and the said processes of 91% of the cases are completed within three months.

MRS REGINA IP (in Cantonese): *President, ImmD is authorized by the Central Government to process naturalization applications made by foreign nationals, and such authority was conferred upon ImmD by the Standing Committee of the National People's Congress in accordance with CNL and the Explanations before the reunification. In Mainland China, the number of naturalization applications approved by the Central Authorities is much smaller than that in Hong Kong. Hong Kong has implemented much less stringent conditions in this regard. May I ask whether the Central Authorities have given the Bureau any advice concerning the relevant criteria or figures?*

SECRETARY FOR SECURITY (in Cantonese): President, I thank Mrs IP for her question. Insofar as such cases are concerned, ImmD and Mainland departments will actually process them independently as separate entities. We notice that while the Mainland did not publicize the actual number of applications for naturalization as a Chinese national, a survey was conducted on the Mainland in 2010, indicating that while there were 594 000 foreign nationals residing on the Mainland, only some 1 400 of them were actually naturalized. If we just take it as a non-scientific reference, we will see that the proportion of applications for naturalization as a Chinese national approved stands at three quarters on average. In view of this, I think ImmD has duly considered the legal aspect and merits of the cases in processing naturalization applications.

MR AU NOK-HIN (in Cantonese): *John LEE, step down. I have this supplementary question. If the basket of factors mentioned in part (2) of the main reply is not prioritized, some problems will ensue. A Pakistani resident whose wife is a Hongkonger has only been issued a "going-out pass" despite having resided in Hong Kong for five or six years due to his past criminal record. May I ask how many more appeals he has to lodge before he can be naturalized? Will he be denied naturalization for the rest of his life? Will ImmD refuse his naturalization applications due to his past criminal record, no matter how many times he appeals?*

SECRETARY FOR SECURITY (in Cantonese): President, in considering each case, ImmD will holistically take into account all the factors of the case, and I have explained to Members the 10 factors that it will necessarily take into consideration in processing the relevant cases. Certainly, we consider the good character of applicants one of the factors, but not the single factor, to be considered in assessing naturalization applications, and for some cases, the relevant decisions may be reached due to certain circumstances. ImmD will holistically take into account all the factors of each case, with a reconsideration mechanism in place. In other words, if any applicant is of the view that his/her application should be considered again, he/she may apply for reconsideration. Apart from the reconsideration mechanism, ImmD also allows applicants to submit an application again. In past cases, ImmD has approved the applicants' second or third application for naturalization as a Chinese national. Hence, ImmD will make decisions based on the actual circumstances in considering each case.

PRESIDENT (in Cantonese): Fourth question.

International image and business environment of Hong Kong

DR CHENG CHUNG-TAI (in Cantonese): *President, I wish to deal with a point of order first, which is related to the question that I have raised.*

The question that I raised in July this year concerns about the economic and social impact of the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 ("the Bill"), but I can only raise my question at a Council meeting now in October.

Due to the restrictions imposed by the Rules of Procedure, I cannot amend the content of the question, and if the Secretary for Security will not sneak away later on, the intention of the Government to withdraw the relevant bill will be indicated. Given that the Government has now put the cart before the horse in its reply to my question by laying all the blame on Hongkongers and the protesters, I will not raise my oral question later.

PRESIDENT (in Cantonese): According to Rule 26(8)(b) of the Rules of Procedure, no question of which notice has been given may be withdrawn, except under certain exceptional circumstances. In respect of oral questions, a Member may only withdraw his question if there is no dissenting voice.

Does any Member oppose Dr CHENG Chung-tai's withdrawal of his oral question?

(Ms Starry LEE and Mr CHAN Han-pan raised their hands to indicate opposition)

PRESIDENT (in Cantonese): Dr CHENG Chung-tai, you cannot withdraw your oral question due to opposition from Members.

(Dr CHENG Chung-tai left the Chamber)

PRESIDENT (in Cantonese): As Dr CHENG Chung-tai is not present, Ms Starry LEE, please raise the fourth oral question.

(Mr Kenneth LEUNG indicated his wish to ask a question)

PRESIDENT (in Cantonese): Under such a circumstance, the most senior Member should raise the question.

MR KENNETH LEUNG (in Cantonese): *Should the most senior Member present raise the question?*

PRESIDENT (in Cantonese): Yes, the most senior Member present should raise the question.

MR KENNETH LEUNG (in Cantonese): *Should be raised by the most senior Member present, okay, thank you.*

PRESIDENT (in Cantonese): Ms Starry LEE, please raise the fourth oral question.

(Mr Charles Peter MOK stood up)

MR CHARLES PETER MOK (in Cantonese): *President, if the Member who will raise the question is not present all along, which is different from the case of Dr CHENG Chung-tai who has proposed to withdraw the question just now, would the question be skipped and not dealt with according to the practice in the past?*

PRESIDENT (in Cantonese): No, this is not the case, the question would be dealt with. The relevant question will be raised by the Chairman or Deputy Chairman of the House Committee, or by the most senior Member present if the Chairman and Deputy Chairman of the House Committee are both absent. Since Ms Starry LEE is the most senior Member present, hence I now call upon Ms Starry LEE to raise the fourth oral question.

MS STARRY LEE (in Cantonese): President, I would like to add a point as well. The reason for me to raise objection is that I all along believe I can raise a question. I have already prepared a supplementary question, so I hope I would be able to raise it.

PRESIDENT (in Cantonese): Okay, please raise the fourth oral question.

4. **MS STARRY LEE** (in Cantonese): *President, earlier on, the legislative amendments concerning the surrender of fugitive offenders proposed by the Government have aroused concerns of the international community. The United States-China Economic and Security Review Commission of the United States ("US"), the European Union ("EU") Office to Hong Kong and Macao and the diplomatic representatives of EU member states, as well as the International Chamber of Commerce-Hong Kong have raised objections one after another. They are worried about the safety of businessmen, journalists, rights and interests advocates and political activists in Hong Kong in the wake of the passage of the legislative amendments, and a deterioration of Hong Kong's freedom, level of the rule of law and the business environment. In addition, the US Government warned the Hong Kong Government in May this year not to allow an Iranian oil tanker to berth at Hong Kong or provide replenishment to that oil tanker. Also, quite a number of businessmen are worried about the international status of Hong Kong being shaken as a result of Hong Kong being caught in the crossfire of the trade war between China and the US. In this connection, will the Government inform this Council:*

- (1) *whether it has assessed the impact of the aforesaid incidents on Hong Kong's international image, and of the counter measures to be adopted by the Government; and*
- (2) *whether it has assessed if there will be an exodus of overseas enterprises and professionals from Hong Kong for worries of deterioration of the human rights situation and the business environment in Hong Kong; if it has assessed and the outcome is in the affirmative, of the counter measures; if the outcome is in the negative, the reasons for that?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, thank you Ms Starry LEE. In the past four months, the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 ("the Bill") has caused controversy in society. Hong Kong experienced many large and small-scale demonstrations, processions and rallies, many of which turned into violent incidents. Some of the radical acts of demonstrators, including blockage of the airport, vandalism of MTR facilities, and street violence, have definitely affected Hong Kong's international image and raised concerns on whether Hong Kong is still a safe city. In fact, so far 40 countries have issued advice on travelling to Hong Kong.

Other than impairing Hong Kong's international image, the impact of the social conflict has spread to all business sectors. Among them, tourism, retail and catering industries bear the brunt. Business has plummeted and the sectors are facing unprecedentedly severe challenges. Take conventions, exhibitions and tourism events as an example. Recently, a number of large-scale outdoor events, including the Hong Kong Wine and Dine Festival and the Hong Kong Cyclothon, have been cancelled one after another. Fortunately, with careful arrangements by the organizers, most of the indoor conventions and exhibitions were held smoothly, and most of the exhibitors and buyers visited as planned for carrying out procurement activities in Hong Kong.

In addition to our internal problems, on the external environment front, as a result of the ongoing trade war between the Mainland and the United States, global economic growth has slowed down, bringing direct and indirect negative impact on Hong Kong economy.

Since July this year, there have been sharp reductions in visitor arrivals and retail sales, a continued decline in exports as well as deeply dampened business, investment and consumption sentiments. Certain industries have recorded the worst business performance recently. It is very likely that the Hong Kong economy has already slipped into a technical recession in the third quarter. In mid-August, the Government lowered the economic growth forecast for 2019 to 0% to 1%.

Nevertheless, we have not yet seen any large-scale outflow of capital and talents. Hong Kong's institutional strengths and core competencies are still recognized by many international institutions. However, should demonstrations persist and escalate, it will have a longer-term impact on Hong Kong's business environment and make the subsequent recovery process more difficult.

The Government understands the pressure borne by small and medium enterprises and members of the public amid an economic downturn. Hence, we announced in August and September respectively two rounds of support measures for enterprises to safeguard jobs, for example, strengthening protection for exporters, assisting enterprises to diversify their developments, upgrade and restructure their business operations, and to develop new markets. To further support enterprises in coping with cashflow requirements, we have recently introduced an arrangement of principal moratorium of a maximum of 12 months, during which only interest payments have to be made. For the tourism industry, the Government, in conjunction with the Travel Industry Council of Hong Kong ("TIC") and the Hong Kong Tourism Board ("HKTB"), rolled out late last month various measures to support the trade in tackling the current economic difficulties, including fees and rental waiver, subsidy on professional training, etc.

Yesterday, the Financial Secretary further announced a new round of measures to support enterprises and safeguard jobs. The Government will maintain close communication with the trade and introduce further support measures if necessary.

President, half an hour ago, I also announced, jointly with HKTB and TIC, a measure to support the tourism trade, which is to provide travel agents with incentive payments according to the number of visitors/travellers they serve. We hope the measure can give timely assistance to the trade. Hence, I hereby once again call on the immediate cessation of protests and violent acts, and the community to return to rational dialogue. Once peace is restored, we will, in collaboration with the relevant organizations, chambers of commerce and professional bodies, devote more efforts and resources to carrying out promotional work and other measures to rebuild international confidence in Hong Kong.

MS STARRY LEE (in Cantonese): *President, Hong Kong has indeed sustained serious injury this time. Apart from the damage to our international image, in fact the daily life of the public is greatly affected as well these days. At present, everyone dares not go out on weekends, and people are afraid of going to some areas where protests or riots would occur. In addition, members of the public may now have to hurry to catch the Mass Transit Railway ("MTR") every day. We have never seen this happen in Hong Kong. Apart from not being dare to go out on weekends, people even have to hurry to catch the MTR. Riots may also break out in different areas on weekdays.*

President, being a member of the team, the Secretary shares the responsibility to restore social order as expeditiously as possible, so that members of the public can be worry-free when going out, shops are protected from being vandalized, and people's remarks will not incur violence. President, being the Secretary for Commerce and Economic Development, the Secretary can see so many shops are continuously vandalized for no reason but because of their Mainland background; some people are subject to the so-called "sanctions" after they spoke at a meeting of the United Nations ("UN"), or are continuously harassed in different ways, therefore affecting the business of their shops.

President, I have this question. In addition to the introduction of a series of relief measures as mentioned by the Secretary, I believe the ultimate wish of the shops is to restore order as soon as possible to enable them to operate normally. Some time earlier, we saw the Chief Executive visited the Mosque to offer apologies. Has the Secretary ever visited those vandalized shops and affected business groups to learn from them about the extent of impact that they had sustained, and to understand what they expected the Government to do to help them tide over this period of difficulties? If he has, can he tell us the number of visits made and what information has he obtained? If not, will the Secretary plan to do so?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, I agree with the observations mentioned by Ms Starry LEE. The current predicament of Hong Kong lies in the fact that some violent conflicts may burst out from time to time. I believe that the Secretary for Security and the Police are facing great difficulties. Yet, such difficulties are not only faced by law enforcement agencies, as all members of the public in Hong Kong will also be affected under whatever circumstances. Therefore, with regard to what Ms Starry LEE has mentioned, I believe society will never accept or approve of it if any shops, individuals or dwellings are subject to unlawful attacks. Therefore, I also have to condemn any violent acts.

During the past period of time, for the entire team, and of course I am also included, during our daily work, in addition to studying any possible measures to curb violent acts after taking into account the overall situation, we also have to promote the restoration of harmony in society. While the law enforcement agencies will make their endeavours in this respect, insofar as the work under my purview is concerned, we have also discussed this issue with different sectors and chambers of commerce on an overall basis during the past period of time.

Regarding some of the individual merchants mentioned by Ms LEE a moment ago, law enforcement agencies will certainly carry out such work upon receipt of complaints, no matter they are attacked for whatever reasons. We have also implemented some measures seeking to tide over the difficulties with the entire business sector. Of course, the Government cannot roll out certain measures solely targeted at individual companies or enterprises, but on the whole, we hope to offer assistance to the retail, catering or tourism-related sectors, or all retail outlets, if they are subject to attacks or are indirectly affected by the processions. Therefore, as I have also mentioned in the main reply just now, we will definitely put forward any possible measures of various types which can offer assistance under my purview.

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

MS STARRY LEE (in Cantonese): *My question is very clear. Presently, some shops are particularly targeted, especially those with a Mainland background, whether they are banks, bookstores, restaurants, due to their background or... the Maxim's Group, everyone knows that because they made certain remarks at a UN meeting, they were then harassed.*

I would like to ask the Secretary if they have ever showed concern to these affected shops, especially those which have been seriously affected. Have they or have they not? The incident has taken place for a long time, could the Secretary tell us whether he has discussed with the merchants in person, and what are the results?

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

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, whilst we have not specifically done such work targeting individual merchants, I would also like to take this opportunity to express that I agree with Ms Starry LEE's remarks in that no enterprises or individuals should

be subject to attacks of any form on account of their remarks or stances. In this regard, I believe that, first, any such destructive acts are not allowed under the laws; and second, we should respect each other in a pluralistic society.

Under such circumstances, here I would like to express my sympathy particularly to the individual merchants who have been subject to attacks or vandalism. Just as we have been maintaining communication with different merchants or different sectors during the past period of time, we will continue to do so.

MR CHRISTOPHER CHEUNG (in Cantonese): *President, I think it is somewhat strange for Dr CHENG Chung-tai to ask this question. It is because in the past few months, some people have been continuously hyping up the issue and initiated to create a lose-lose situation, thereby giving rise to social unrest lasting for more than four months. Protesters blocked the airport, threw fire bombs, set shops and MTR facilities ablaze, and damaged traffic lights. Such acts have not yet subsided so far, and the reputation of Hong Kong as the safest city has been tarnished. Some people even visited the United States to request the passage of a legislation to impose sanctions on China and Hong Kong. I think such acts are bringing the most serious damage to Hong Kong's international image and business environment. Now, I would like to ask what remedies does the Government have in place, and what can the Government do in aspects such as upholding the rule of law, strengthening law enforcement, and strengthening the protection of the properties and lives of the public and investors, so as to restore the confidence of international investors and redeem Hong Kong's international image?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, the situation referred to by Mr Christopher CHEUNG is obvious to all. I believe it would be a tough task to alter the views of foreign countries on Hong Kong, or to clear up their misunderstanding about the situation in Hong Kong in the short term or by implementing some individual measures. Having said that, just as in the past, the international image of Hong Kong was not built in one day. We understand that as numerous riots are still occurring in the meantime, it is difficult for me to convince other countries through paying

visits overseas to illustrate that Hong Kong is a city that is absolutely safe or as safe as in the past. However, we will adopt a practical and realistic approach to explain the situation in Hong Kong through various avenues, such as foreign chambers of commerce as well as foreign embassies and consulates in Hong Kong. Meanwhile, for many of the entities under my purview that are responsible for receiving foreigners, regardless of whether those foreigners are business travellers or personnel organizing international conferences, etc., the entities concerned, be they government departments, chambers of commerce or the organizers, must take a further step to explain and elucidate the situation. Over the past two to three months, I have also sent letters to foreign chambers of commerce as well as embassies and consulates on five occasions to give an account of the situation in Hong Kong, including the positive or negative aspects, in the hope that they could have a precise understanding. Nevertheless, for the time being, we hope that all the riots that are still affecting Hong Kong should cease in time since all other livelihood and business activities will be directly affected when these riots have not yet come to an end. We have also done a lot with the major places with which Hong Kong has close bilateral relationship. My team and I myself or various overseas offices would also collaborate with the chambers of commerce or professional bodies and do our best to explain the situation in this regard during contacts with or visits to foreign entities. We have not stopped doing so even though it is relatively difficult to carry out such work during the past few months. Although we have prepared for the worst, we must still be best prepared. We hope to get well prepared during the process in which peace and harmony are gradually restored in society, such as the preparations made by the tourism industry, or the preparations for external promotion work, so that we can start afresh by gathering concerted efforts when the social atmosphere turns calm. Work in this aspect should not only be carried out by the Government indeed, but all sectors of society should also work together.

MR DENNIS KWOK (in Cantonese): *President, the Secretary mentioned the Bill in the main reply. It is rather ironical that this question is raised by Ms Starry LEE of the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB"), which is, the culprit initiating the Bill, while the other culprit, John LEE, is sitting behind the Secretary. I would not call him the Secretary as he should take the blame and resign immediately...He should have*

taken the blame and resigned four months ago, yet he still has the face to sit here now. President, my supplementary question is very simple. Edward YAU, you are a member of the Government, see that the Bill has pushed Hong Kong into this predicament today, when you ask yourself, do you agree that John LEE sitting behind you should resign immediately?

(A number of Members chanted aloud the slogan in their seats: "John LEE, step down")

PRESIDENT (in Cantonese): If any Member continues to yell, I will regard his behaviour as grossly disorderly and I will immediately order the Member concerned to withdraw from the Chamber.

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, I ask myself, it would of course be an unshirkable responsibility of the Government if the current situation in Hong Kong is solely derived from a policy mistake. Yet, the Government as a whole—I can recall that the Chief Executive, together with her team—has already given a response and explanation to society in respect of the turmoil triggered by the amendment exercise of the Fugitive Offenders Ordinance. However, presently there are also some violent acts in society which are provoked by the Bill, such as those referred to by Honourable Members just now. No matter how noble their cause is, I believe society as a whole...I ask myself, as a member of the community in Hong Kong, I do not believe it is reasonable, nor there are sufficient reasons to put Hong Kong into such a dangerous situation. Yet, I believe that when this question is raised in the legislature today—no matter who raised it—we all have a common goal and that is, to restore harmony in society. There are indeed several prerequisites for restoring harmony in society. First, unlawful violent acts should cease. Second, the Government must of course implement all necessary improvement measures, whether they are to restore harmony in society or strengthen dialogue. Various measures should also be proposed during this difficult period with a view to mitigating the negative impacts.

Having said that, we also hope that all Members, being representatives of Hong Kong, can safeguard the overall interests and dignity of Hong Kong by adopting a practical and realistic approach to act based on facts. We also hope

that they can do their job properly, no matter in Hong Kong or overseas. It is because Hong Kong's reputation is not just a "brand name", but involves our bilateral contacts with different fields around the world. This is not only about commercial interests, but also includes the exchanges among people. It is not my intention to put responsibility on which side by replying in this way. On the contrary, I think that all parties should share this responsibility, especially this is our legislature. I believe and hope that we can find a way out in this legislature for the current predicament.

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

MR DENNIS KWOK (in Cantonese): *I asked him if he believed that John LEE should resign.*

PRESIDENT (in Cantonese): Mr KWOK, the question that you have raised does not fall within the ambit of the main question. That said, Secretary, do you have anything to add?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, I have already made a very clear response regarding my personal view and that of the whole Government.

MS STARRY LEE (in Cantonese): *Mr Dennis KWOK said just now that I or DAB is the culprit initiating the Bill. I requested to explain, in accordance with the Rules of Procedure, his misunderstanding about me as many Honourable Members have made such remarks already. Being Members of the Legislative Council from DAB who assist the POON family, we have all along requested the Government to handle this murder case properly. We have no regrets in assisting the victims, so we have been pushing the Government to carry out the surrender of fugitive offenders. We have also expressed support publicly after the Government had introduced the Bill, and our stance is very clear. When bitter controversies arose in society subsequently, I also publicly stated that we*

could understand it if the Government withdrew the Bill. I hope that Honourable Members would not smear others for political purposes when making their remarks.

MR HUI CHI-FUNG (in Cantonese): *Mr LEUNG, talking about the international image of Hong Kong, in the past four months, the international community has clearly seen that the rights of freedom and democracy of Hongkongers have seriously retrogressed. Be it the introduction of the Bill, the suppression of Hongkongers' freedom of assembly by the Hong Kong Government, police brutality, indiscriminate arrests, none of these is beneficial to Hong Kong. The international community has also seen Hongkongers resisting and fighting for freedom and democracy unswervingly, so they strongly support and have sympathy for the protesters. A Norwegian member of parliament even nominated the "people of Hong Kong" for the 2020 Nobel Peace Prize. I would like to ask the Government, what is the stance of the Hong Kong Government in respect of the people of Hong Kong being nominated for the 2020 Nobel Peace Prize? In addition, I also offer him the opportunity to tell the international community whether he endorses the efforts exerted by Hongkongers in fighting for democracy and freedom.*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, as I have said when replying to another Member's supplementary question just now, the Government should certainly conduct a review if the situation that has arisen in Hong Kong today is the result of a policy mistake. Yet, the current situation should be preserved and borne by each and every Hong Kong citizen. Regarding the human rights and freedom, etc. in Hong Kong, whether I am a government official or a person who has been living in Hong Kong for a long time, such rights as human rights and freedom in Hong Kong have been clearly enshrined in the Basic Law after the reunification. These also include the free access to Hong Kong for news covering activities enjoyed by various international media, as what we can see now. I believe the media would have their views, and Hong Kong people would have their own views as well. Therefore, in this regard, I think the situation should be commented by Hong Kong people, instead of having other countries to comment on Hong Kong's human rights and freedom, etc. I believe that the people of Hong Kong can answer this question by ourselves.

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

MR HUI CHI-FUNG (in Cantonese): *I asked him if he endorsed the efforts exerted by Hongkongers in fighting for democracy and freedom.*

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

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, I have already answered Mr HUI Chi-fung's supplementary question in a very comprehensive manner just now. The second half of his supplementary question merely simplifies the first half and requires me to give an answer. I hope he will listen again to the overall reply that I have just made.

PRESIDENT (in Cantonese): Fifth question.

Fair trial and human rights protection for Hong Kong people surrendered

5. **MR CHARLES PETER MOK** (in Cantonese): *It is stipulated in Article 10 of the Hong Kong Bill of Rights that everyone shall have the right to a fair and public trial. According to Article 3(f) of the United Nations Model Treaty on Extradition, extradition shall not be granted if the person whose extradition is requested has not received or would not receive, in the requesting State, the minimum guarantees in criminal proceedings as contained in Article 14 of the International Covenant on Civil and Political Rights ("the Covenant"). All the surrender of fugitive offenders agreements ("SFO agreements") signed between Hong Kong and 20 jurisdictions were implemented after going through this Council's legislative procedure for subsidiary legislation. In this connection, will the Government inform this Council:*

- (1) *whether it knows, among the jurisdictions which have signed SFO agreements with Hong Kong, the respective jurisdictions that have and have not implemented the Covenant as well as the respective*

numbers of them; how the Government, at an institutional level, ensures the provision of a fair trial and human rights protection for Hong Kong people subsequent to their being surrendered; whether it will add the relevant protection provisions to the legislation; if not, of the reasons for that;

- (2) whether it has assessed if a situation will emerge in which a fair trial and human rights protection for Hong Kong people is undermined as a result of their being surrendered; if it has assessed and the outcome is in the affirmative, whether such a situation will affect the commercial, trade and other relationships between Hong Kong and foreign countries; and*
- (3) whether the Government assessed, before and after signing an SFO agreement with a certain jurisdiction, if there were serious discrepancies between the legal provisions and the actual enforcement of such provisions in that jurisdiction; if it made such an assessment and found the existence of such a situation, how the Government handled the relevant SFO agreements so as to ensure the provision of a fair trial and human rights protection for those Hong Kong people who had been surrendered?*

John LEE, step down!

(A number of Members chanted aloud the slogan: "John LEE, step down")

PRESIDENT (in Cantonese): I have repeatedly warned Members that if Members keep shouting, I will immediately order the Members concerned to leave the Chamber.

SECRETARY FOR SECURITY (in Cantonese): President, the Hong Kong Special Administrative Region ("HKSAR") Government has been actively taking forward cooperation with other jurisdictions concerned on surrender of fugitive offenders ("SFO") and mutual legal assistance in criminal matters ("MLA") under the framework of Fugitive Offenders Ordinance ("FOO") and Mutual Legal Assistance in Criminal Matters Ordinance ("MLAO"). The juridical assistance

network has been expanded through signing relevant agreements with more jurisdictions, with a view to enhancing international cooperation in combating crimes. The current FOO provides the legal basis for SFO between Hong Kong and other jurisdictions.

My reply to the three parts of Mr MOK's question is as follows:

- (1) Before commencing negotiation on entering into an SFO arrangement with the relevant jurisdiction, HKSAR Government will consider a host of factors, including the jurisdiction's relevant legislation on SFO and the bilateral agreements already signed; as well as the average visitor flow, economic and social relationships between Hong Kong and that jurisdiction, etc.

SFO agreement is a bilateral arrangement on an equal and mutual basis. The model text used by HKSAR Government for negotiating long-term SFO arrangements was formulated by the Sino-British Joint Liaison Group before Hong Kong's return to China and is in line with international common practices. After the return to China, the Government has passed the model text to the Legislative Council for reference. In fact, all long-term agreements are subject to the Legislative Council's scrutiny by way of subsidiary legislation in order to have legal effect. Whether or not a jurisdiction is a contracting state to the International Covenant on Civil and Political Rights ("ICCPR") is not a prerequisite for signing a long-term SFO agreement with Hong Kong.

At present, Hong Kong has signed long-term bilateral SFO agreements with 20 jurisdictions, among which 18 jurisdictions (i.e. Australia, Canada, Czech, Finland, France, Germany, India, Indonesia, Ireland, the Netherlands, New Zealand, the Philippines, Portugal, the Republic of Korea, Sri Lanka, South Africa, the United Kingdom and the United States) are contracting states to ICCPR and the remaining two (i.e. Malaysia and Singapore) are not.

According to section 3(1) of FOO, the procedures under FOO are subject to limitations, restrictions, exceptions and qualifications which may be contained in long-term SFO agreements signed

between Hong Kong and the relevant jurisdictions. Therefore, mutually agreed clauses could be added to the agreements, as the case may require, during negotiation between the two parties. For example, all the 20 long-term SFO agreements signed by Hong Kong contain provisions relating to discretionary refusal to surrender on humanitarian grounds.

Besides, according to section 13(1)(b) of FOO, the Chief Executive has the power to refuse to surrender a person. In *Cheng Chui Ping v the Chief Executive of the HKSAR & Anor*, [2002] HKCU 5, the court held that the Chief Executive has the power to refuse surrender if it would be wrong, oppressive or unjust to order the surrender. The person concerned is therefore entitled to make representations to the Chief Executive or seek judicial review to oppose the surrender, including claiming that it is wrong, oppressive or unjust to order the surrender, and raising other humanitarian grounds or safeguards provided for in the applicable law or relevant surrender arrangements.

The existing human rights protection and procedural safeguards under FOO are in line with international common SFO practices. If the person concerned thinks that his rights may be prejudiced, he may apply for judicial review against the order issued by the Chief Executive. Reasons for making representation or raising objection may include, apart from surrender restrictions in FOO and justifications specified in related SFO arrangements, relevant grounds as provided for in the Basic Law and the Hong Kong Bill of Rights Ordinance.

- (2) SFO is an international consensus to fight organized and cross-boundary crimes, and is also a globally accepted means to reduce crimes effectively. FOO targets fugitives who have committed serious crimes, and does not affect lawful commercial activities and individuals' rights and freedoms which are protected by the law. The current FOO is in line with international common practices and has struck a balance between serving the purpose of SFO and ensuring human rights protection and procedural safeguards. As at 31 December 2018, 109 fugitives were

surrendered by Hong Kong to other jurisdictions under bilateral agreements and multilateral treaties. The human rights of the person concerned are protected by Hong Kong courts throughout the surrender process. He may also apply for judicial review against the procedures or decision of his surrender under the Hong Kong Bill of Rights Ordinance or other applicable laws, and appeal all the way up to the Court of Final Appeal. The court may make its decisions by drawing reference from relevant cases, including related cases of other common law jurisdictions. These cases include whether or not the requesting party could provide the additional human rights protection assurance requested by the requested party in respect of that case. If the person concerned considers the Chief Executive's decision illegitimate, irrational or procedurally improper, he may also apply for judicial review.

- (3) The making of surrender arrangements and SFO are very serious matters to both jurisdictions involved. Any fugitive to be surrendered will be handled openly at the court of both places, with members of the public in the know and subject to extensive monitoring. The long-term surrender mechanism under FOO has been operating smoothly and effectively all along for 22 years. HKSAR has in place extremely stringent procedures for handling SFO requests, with the executive authorities and the judiciary performing their respective duties and roles, in order to ensure compliance with all procedural and legal requirements and protection of the rights of the person concerned.

MR CHARLES PETER MOK (in Cantonese): *Hongkongers, soldier on!*

This question was submitted by me to the Secretariat on 10 June. The first million-people march took place on 9 June and today is 23 October already. I cannot help but feel that it now seems another world. Today also marks the release of CHAN Tong-kai, the suspect in the Taiwan murder case which triggered the "extradition to China law" and who was used by the Government as an excuse. Everyone in town is watching how the Government will deal with him and what it will do to have him surrendered to the Taiwan authorities.

Hongkongers hope to see justice prevail; they also hope that the suspect can have a fair trial and human rights protection. The Government absolutely cannot stay aloof from it. Here is my supplementary question. Will the Hong Kong Government and the Taiwan authorities make arrangements for holding formal negotiations to work out a solution, rather than engaging in a war of words in the air just as they are doing now and which would only prevent justice from being upheld and cause delays to the extent that the problem is beyond remedy?

SECRETARY FOR SECURITY (in Cantonese): President, the suspect in the Taiwan murder case is released today. He is a free man now. He has expressed his willingness to go to Taiwan to turn himself in. We hope that Taiwan can actively accept his entry to Taiwan to surrender himself. This is what he wishes to do, and the victim and the victim's family could hence be given an acceptable explanation and the suspect in this case could turn over a new leaf through the legal proceedings.

We hope that Taiwan can adopt some positive approaches, rather than complicating the issue and wavering in their position all the time, and turning this issue into an instance of political manoeuvring. We hope that the suspect's surrender can be handled in a way that justice can be done, judicial proceedings complied with and the rule of law upheld, so that he can be allowed to go to Taiwan as soon as possible and turn over a new leaf through the legal proceedings. We do not hope that this matter will be considered out of political manoeuvring. We hope that Taiwan can actively handle this matter and allow him to go to Taiwan to give all the information on the entire case to the relevant law enforcement agencies in Taiwan.

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

MR CHARLES PETER MOK (in Cantonese): *He is distancing himself from it. Is he not distancing himself from it and arguing in the air now? He did not answer my question. My question is about whether he will make arrangements*

with Taiwan for both sides to sit down and talk about it and then work out a solution together, rather than passing the buck to each other. Has he listened to the arguments put forward by the other side? He is exactly doing what he is accusing others of doing, and probably both sides have done the same.

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

SECRETARY FOR SECURITY (in Cantonese): President, the SAR Government is pragmatic. When a person is free again and if he expresses his wish to surrender himself, the SAR Government does not have the legal powers to take any compulsory measures against him. Insofar as this case is concerned, we hope to provide Taiwan with assistance by all means and this has all along been our attitude. However, Taiwan has caused quite a lot of complications and imposed many hurdles. If Taiwan accepts the entry of the suspect to Taiwan to surrender himself, we would be able to provide assistance in accordance with the laws and procedures of Hong Kong in many respects.

MR GARY FAN (in Cantonese): *President, I would like to put a question to Secretary John LEE who should have stepped down long ago. Currently, there is no mechanism for mutual juridical assistance and cooperation between Taiwan and Hong Kong. In the handling of the suspect in the Taiwan murder case, CHAN Tong-kai, the Government has all along refused to render juridical assistance to Taiwan. Last night, the Government again refused the request from the Taiwan authorities for sending their officers to Hong Kong to deal with this case. The Government only wishes that CHAN Tong-kai would go to Taiwan to turn himself in, thinking that the problem would then be resolved. However, the Government has not provided the Taiwan authorities with any information, such as CHAN Tong-kai's statements, testimony and his confession statement in Hong Kong, and as a result, the Taiwan authorities do not have sufficient information for conducting a trial properly.*

In this connection, I would like to ask Secretary John LEE who should have stepped down long ago, in the event that after CHAN Tong-kai's arrival in Taiwan, a trial could not be conducted fairly or CHAN Tong-kai would be

acquitted or found guilty of a less serious offence due to a lack of material evidence following the SAR Government's refusal to provide any juridical assistance, how can the SAR Government give an account to the family of the deceased in the CHAN Tong-kai case?

SECRETARY FOR SECURITY (in Cantonese): President, what the Member said just now is very similar to the remarks made by the spokesmen of Taiwan. I would like to stress one point. There is no relationship between juridical assistance and a suspect surrendering himself. A suspect can absolutely surrender himself outside the network of juridical assistance. In many past cases about the handling of suspects surrendering themselves among jurisdictions, there may not necessarily be juridical assistance agreement between the two jurisdictions. As far as I understand it, Taiwan has also dealt with some of these cases without any arrangement for juridical assistance. Therefore, there is no relationship between juridical assistance and a suspect surrendering himself.

With regard to Taiwan's request for our assistance, I do not agree with the Member who said that we did not make any response. First, after receiving the letter from Taiwan, we already explained in our reply that when we got the letter requesting the provision of information, the suspect was already prosecuted in Hong Kong. Given that prosecution was already brought against him in Hong Kong, we must consider clearly whether the relevant information would affect the investigation and judicial proceedings. We stated this point clearly in our letter. Second, as early as in March this year, we made it clear to Taiwan our wish for a meeting to be held between us to discuss this issue but then we were not given a reply. Therefore, what the Member said just now does not reflect the facts and this, we think, is disappointing.

We hope that this case should be referred to and handled by the judicial system in order to uphold justice and to uphold the rule of law, and to allow a person wanted by a certain jurisdiction, namely Taiwan, to go back to Taiwan as soon as possible to give an account of what happened. This is actually something that could have been resolved in a straightforward manner. The present situation where a lot of obstacles are created out of political consideration is unbecoming in a legal case.

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

MR GARY FAN (in Cantonese): *The Secretary did not answer my supplementary question. I asked my question very clearly. It was about juridical assistance but he evaded it and only talked about CHAN Tong-kai turning himself in. I wish to point out that whether from the perspective of upholding justice or handling the matter pragmatically, if CHAN Tong-kai would be denied of a fair trial in Taiwan and subsequently stand a chance of being acquitted or given a lenient sentence, it would be impossible for justice to be served, whereas the SAR Government has a role to play in the process by providing juridical assistance, it has not done so, and it is exactly the SAR Government that is engaging in political manoeuvring ...*

PRESIDENT (in Cantonese): Mr FAN, you have already 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 SECURITY (in Cantonese): I have explained it very clearly just now. First, assistance can be provided without juridical assistance arrangements. We will provide the relevant evidence by all means in accordance with the laws of Hong Kong to assist Taiwan in dealing with this case.

DR KWOK KA-KI (in Cantonese): *President, I have never seen an official who is so shameless in confounding right and wrong. Taiwan ...*

PRESIDENT (in Cantonese): Dr KWOK Ka-ki, please withdraw the word "shameless" for it is on the list of unparliamentary expressions.

DR KWOK KA-KI (in Cantonese): *Alright, I withdraw "shameless", but look at this John LEE, everyone can see what he is really like.*

In the beginning of this year, Taiwan already requested that negotiations be held with the SAR Government on the extradition of CHAN Tong-kai. Who turned this issue into a political issue and cooked up the "extradition to China law" which plunged Hong Kong into the abyss of sufferings for the last few months? It was those people like John LEE and Carrie LAM and now they are even telling lies in this Chamber.

Now, here is my question to him. Taiwan has now made clear the request that official negotiations be held between the SAR Government and the Taiwan authorities on allowing the law enforcement officers in Taiwan to come to Hong Kong to take him back through formal procedures. Why is that not possible? Why is it that we could see at the same time incidents such as LEE Po of Causeway Bay Books being disappeared but the Government turned a blind eye to them and now it is even putting on a show, pretending to have profound knowledge and pretending to be upholding justice?

SECRETARY FOR SECURITY (in Cantonese): President, let me again say in reply that what the Member said just now made me think of some comments made by the spokesmen of Taiwan.

First, the SAR Government is willing to provide Taiwan with evidence in accordance with the laws and procedures of Hong Kong. Most importantly, if a wanted person wishes to surrender himself, why are there so many obstacles created to make it impossible for him to turn himself in? If this issue will continue to be handled out of political manoeuvring and with the intention to complicate the issue, the relevant government certainly has to be blamed for preventing justice from being done.

We very much hope that this wanted person who wishes to surrender himself can go to the relevant law enforcement departments, so that he can give an account of all the details one by one as he so wishes. By common sense, a law enforcement department would wish to arrest the wanted person as soon as possible in order to interrogate him and take evidence from him. In the course of interrogation, more evidence may be uncovered and the person who surrendered himself may probably provide more evidence. If, in the process, there is any assistance that the SAR Government can provide, we will certainly be happy to provide it as long as it is in line with the laws and procedures of Hong Kong.

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

DR KWOK KA-KI (in Cantonese): *He did not answer my question. My question was very clear. I asked what the SAR Government could do to officially allow officers from Taiwan to carry out in Hong Kong the procedures just mentioned by John LEE, so that CHAN Tong-kai, having expressed his wish to surrender himself, could go to Taiwan. But the Secretary entirely did not give an answer except saying that he would have nothing to do with it once the person concerned turned himself in.*

PRESIDENT (in Cantonese): Dr KWOK, you have already stated the part of your supplementary question that has not been answered. Secretary, do you have anything to add?

SECRETARY FOR SECURITY (in Cantonese): President, I have already answered his supplementary question.

PRESIDENT (in Cantonese): Last oral question.

Future fuel mix for electricity generation

6. **MR KENNETH LEUNG** (in Cantonese): *President, in 2014, the Government conducted a public consultation on the future fuel mix for electricity generation and put forward two options, namely: "grid purchase" under which electricity would be purchased from the China Southern Power Grid ("CSG"), and "local generation" under which more natural gas would be used for local electricity generation. A majority of the respondents supported the local generation option. On the other hand, the Government consulted the public from June to September this year on the long-term decarbonization strategy, proposing, among others, that 80% of the energy supply to Hong Kong should have zero carbon emissions by 2050. In this connection, will the Government inform this Council:*

- (1) *whether it knows the quantity of electricity currently imported from CSG and its percentage in the overall power supply to Hong Kong, the fuel mix adopted for electricity production, and the supply reliability;*
- (2) *as the Government indicated in July last year that the CLP Power Hong Kong Limited would enhance the clean energy transmission system with CSG, whether the Government knows the details, including the quantity of electricity import, the fuel mix adopted for electricity production, the production cost, and the progress of the relevant work; and*
- (3) *as the outcome of the public consultation in 2014 showed that a majority of the respondents supported the local generation option, why the Government still heads towards the direction of grid purchase; whether it will first focus on promoting the local development of renewable energy or other clean energy to maintain Hong Kong's power autonomy; if so, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, my responses to the three parts of the question are as follows:

- (1) Through its Clean Energy Transmission System ("CETS"), the CLP Power Hong Kong Limited ("CLP") connects its electricity system to the power network of the China Southern Power Grid ("CSG") and the Daya Bay Nuclear Power Station ("DBNPS"). CLP has been importing nuclear power from DBNPS via CETS since 1994. In 2018, CETS transmitted about 12 billion units of electricity from DBNPS, accounting for around 27% of Hong Kong's total fuel mix for electricity generation. CETS has maintained steady power supply in recent years, and the system reliability is over 99.99%.
- (2) The CETS enhancement project currently under planning by CLP will involve the replacement of some 160 km of overhead lines, which have been used for more than 25 years, with lines that have higher transmission capacity so as to enhance the overall reliability and transmission capacity of the system. In this connection, a small

portion of the overhead line towers will have to be relocated in accordance with the latest technical and environmental requirements. Neither new interconnection circuit nor new network connection point will be added, and the current interconnection arrangement and operation mode will be maintained upon completion of this enhancement project. The estimated capital expenditure on CETS enhancement is about \$2 billion.

The enhancement project, expected to be completed by 2025, will provide Hong Kong with greater flexibility to use more clean energy of up to around 30% to 35% of our fuel mix, thereby enabling us to achieve our 2030 carbon intensity reduction target, i.e. reduction of carbon intensity by 65% to 70% as compared to the level in the base year of 2005, as much as five years earlier.

CETS can be used to import clean energy generated from various sources including hydro, wind and solar energy or nuclear power. At this stage, CLP has yet to decide on the sources of clean energy for its enhanced system, but will need prior approval from the Government before importing more power in future.

- (3) As electricity generation accounts for about two thirds of Hong Kong's carbon emission, changing the fuel mix for local electricity generation is the primary way to reduce carbon emissions.

At present, coal remains the major fuel used for electricity generation in Hong Kong, accounting for around half of the fuel mix, while natural gas and non-fossil fuels, including imported nuclear power, each accounts for around 25%.

Having regard to the views collected during the Public Consultation on Future Fuel Mix for Electricity Generation in Hong Kong in 2014, the power companies will mainly use more natural gas to replace coal for electricity generation in the coming decade to help achieve our carbon intensity reduction target by 2030. That said, using natural gas for electricity generation still generates carbon emission. To achieve a carbon reduction target in 2050 that is compliant with the Paris Agreement's well below 2°C target, we will have to use more zero-carbon energy.

To this end, the Government has pressed ahead with promoting the local development of renewable energy ("RE"). We take the lead in enhancing RE development by earmarking \$2 billion to implement various projects at government premises, and are actively considering the development of large-scale RE projects at suitable locations in reservoirs and landfills. Beyond the Government, we have introduced Feed-in Tariff ("FiT") and implemented various facilitation measures, including suitably relaxing the restrictions on "village house" rooftop installations. While there were only some 200 private RE systems connected to the power grids over the last decade, the two power companies have received over 5 300 and approved over 4 500 FiT applications from 2018 till the end of September this year. Besides, we launched the Solar Harvest in March this year to assist eligible schools and non-governmental welfare organizations in installing solar photovoltaic systems. Response to the scheme has been overwhelming, with over 210 applications received within three months.

Despite the above progress, without significant technical breakthroughs, Hong Kong only has modest realizable RE potential given our geographical constraint. Many metropolitan cities facing similar constraints are moving towards deep decarbonization through regional cooperation on clean energy. If we are to achieve the Paris Agreement's well below 2°C target in the long term, we will have to give serious consideration to regional cooperation, which may come in various forms. For instance, in terms of clean energy, cooperation may be in the form of investment by the power companies in Hong Kong or joint research and development on the use of zero-carbon energy with regional enterprises, and is thus not confined to grid purchase.

At present, the Government is open to different options and has no predetermined position. As invited by the Government, the Council for Sustainable Development ("SDC") has just concluded on 20 September 2019 a three-month public interaction phase of the public engagement on Long-term Decarbonisation Strategy. Views collected during this phase have been passed to an independent analysis and reporting agency, i.e. the Social Sciences Research

Centre of The University of Hong King, for analysis. Upon receiving SDC's recommendations, the Government will formulate a long-term decarbonization strategy for Hong Kong, including initiatives to decarbonize the electricity sector.

MR KENNETH LEUNG (in Cantonese): *President, just now in the main reply, as well as in the public consultation document on the long-term decarbonization strategy, the Secretary has repeatedly mentioned the need to increase the proportion of local clean energy through regional cooperation.*

Can the Secretary state clearly whether regional cooperation mentioned in the consultation document and his main reply only refers to the purchase of electricity from CSG or other Mainland power grids? If so, given that the fuel mix for electricity generation on the Mainland actually includes gas, natural gas, etc., how can the Secretary say that electricity purchased from the Mainland is completely zero-carbon energy? It does not hold water, President. May I ask the Secretary to explain about it?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, I thank the Member for his supplementary question. As I have pointed out in the main reply just now, regional cooperation may come in various modes, which may be grid purchase and many other different forms. In short, the Government holds an open attitude. Nevertheless, I believe we (including Mr LEUNG) are of the view that being a metropolis, Hong Kong should seriously respond to the Paris Agreement and conduct deep decarbonization.

As we can see, in nearly all major cities in the world we know, to achieve deep decarbonization, a certain degree of regional cooperation is necessary. Hence, this time the Government wishes to collect, through public engagement with SDC, the community's views on long-term implementation of deep decarbonization in Hong Kong.

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

MR KENNETH LEUNG (in Cantonese): *It seems that the Secretary has not answered my question. He repeatedly mentioned grid purchase, but he did not clearly state what actually the other options are apart from this.*

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

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, let me add, as I have actually pointed out in the main reply, that regional cooperation may be in the form of investment by power or energy companies in Hong Kong, and it may also be energy companies in Hong Kong conducting joint research and development of new zero-carbon projects with relevant companies on the Mainland and then importing power back into Hong Kong. Such forms are within the scope for consideration in terms of regional cooperation.

MR LUK CHUNG-HUNG (in Cantonese): *President, as we all know, and also according to the Hong Kong Energy Statistics 2018 Annual Report, almost all of our energy is supplied by external sources because there is no oil field in Hong Kong. Neither is there any natural gas, nor fuel production. The energy supplied is either directly imported, such as natural gas and coal products, or produced through transformation using imported fuels, such as electricity and gas. Therefore, frankly, the so-called "power autonomy" is in fact a false proposition and a false concept.*

Under such a setting, a more pragmatic approach is to set the energy policy of decarbonization and emission reduction as a prime objective. Meanwhile, however, we have also noted the higher cost of electricity generation with reduced and low carbon emissions. Certainly, electricity generation using natural gas cannot fully achieve zero emission either. Will the authorities ensure that the problem of energy poverty will not arise, having regard to tariffs and the people's affordability?

As reflected by the outcome of the public consultation on the long-term decarbonization strategy, members of the public are not willing and do not wish to bear the financial pressure brought by zero carbon emission. That means they do not wish to see any drastic increase in tariffs. How will the Government

promote the relevant decarbonization work to achieve the emission reduction target by 2030 and the bright vision of the Paris Agreement while tariffs will not be too expensive?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, I thank the Member for his supplementary question. This is a very good question. Our established policy on electricity and energy covers several aspects, seeking environmental protection, stability, and at the same time, reasonable prices. A balance has to be struck between these few aspects. Hence, this time we have invited SDC to conduct a public engagement exercise, during which the general public could think over and consider this issue again in various aspects.

It is the general trend to address climate change and respond to the Paris Agreement. In striking a balance under such challenging circumstances, there will certainly be difficulties. Hence, we wish to discuss with the general public together and collect public views during the interaction process.

I can also cite a recent example. As Members know, over the last few years, we have largely and progressively reduced the use of coal for electricity generation and increased the use of clean energy, thus causing pressure on local tariffs. For this reason, the Government has adopted an unconventional approach under which an electricity charges relief of \$50 will be credited to each residential account every month over the next five years. This arrangement can facilitate decarbonization and improvement of air quality in Hong Kong while the pressure on general households in power consumption can be relieved.

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

MR LUK CHUNG-HUNG (in Cantonese): *Will there be any new methods which can both reduce emissions and bring tariffs down? For example, will consideration be given to wave power? Earlier on, some Legislative Council Members visited Shanghai where some technological breakthrough had seemingly been made. What work has the Government done in searching for technological breakthroughs around the world?*

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

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, as in the case of addressing climate change in various cities around the world, deep decarbonization will definitely involve technological innovation of various degrees. Therefore, the issue of how different innovative technologies can be integrated in the next few decades is also under active consideration by the Hong Kong Government. I have noted that during SDC's public engagement process—SDC is compiling the information on the people's feedback—quite a number of people have suggested on different occasions that Hong Kong should give more thoughts to innovation and technology. Hence, we hold a positive attitude in this regard.

I would like to point out that the Government has currently strived for innovation per se. For example, given the small area of Hong Kong, we have optimized the use of reservoirs, using floating photovoltaic panels. Such is good use of relatively innovative technologies. As indicated by the two pilot projects, the amount of electricity generated by floating photovoltaic panels installed in a reservoir is generally 20% higher than that on a rooftop. Thus, as we have recently pointed out in the Policy Address, upon completion of the pilot projects, we will actively study, consider and even put forward the implementation of floating photovoltaic systems of a larger scale in major reservoirs, such as Plover Cove, to increase the proportion of local RE.

Let me answer the Member's supplementary question briefly. We will consider the views expressed by members of the public during the public engagement process. At the same time, we will actively optimize the use of different technologies with different departments together, with a view to enabling Hong Kong to increase local clean energy while making good use of space.

MR KENNETH LEUNG (in Cantonese): *President, the Government's consultation document on the long-term decarbonization strategy seems to be focused on the long-term fuel mix. However, in respect of consumers'*

consumption of electricity, actually is there any method or plan to encourage individuals to use less or save more electricity as far as possible? There is not much coverage on this. May I ask the Secretary to explain the work in this regard?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, I thank Mr LEUNG for raising this question. This document of SDC covers the main areas of decarbonization in Hong Kong in various aspects, including electricity generation, energy efficiency and conservation—that is, the focus mentioned by Mr LEUNG just now and includes aspects such as new energy vehicles and waste reduction, with a view to better conduct decarbonization on all fronts in Hong Kong.

Regarding energy efficiency and conservation, the aspects about which the Member is particularly concerned, we wish to hear new ideas raised by the sector and members of the public in respect of the consultation document. Meanwhile, we have all along been contemplating how to save electricity jointly in society. This can be divided into two parts. In Hong Kong, 90% of the electricity is consumed indoor, either in industrial or commercial buildings for commercial purposes, or by domestic households. With regard to buildings, we are making active efforts in innovation. For example, we have launched "Retro-commissioning" with the Electrical and Mechanical Services Department to conduct adjustments to, studies on and analyses of existing buildings, thereby helping such buildings to save electricity and money in a relatively "fast, neat and cool" way within a short time. We will actively promote such work.

As regards residential households, as I have said earlier, we and the power companies wish to replace all the electricity meters with smart meters across the territory within seven years so that different customers (including residential users) can make good use of the data, coupled with innovative measures, to save electricity. Certainly, apart from the data provided by smart meters, we will discuss with relevant stakeholders, including power companies and members of the public, by making use of such data what other ancillary facilities can help the overall community to further save electricity in the future.

IR DR LO WAI-KWOK (in Cantonese): *President, in the main reply, the Secretary mentioned promotion of the development of RE and cited some information. I consider it quite positive. FiT and relaxation of restrictions on "village house" rooftop installations can indeed encourage more people to use solar energy for electricity generation. I would like to ask the Secretary further about this. Some residents in the New Territories have asked whether the restrictions can be further relaxed to allow multiple uses at a single site. That means for those agricultural sites in the New Territories which have been abandoned or for which there is no development plan, can they be used for farming with photovoltaic panels installed on the land, serving both purposes of farming and electricity generation? Because other places in the world have really used this kind of technology, generating electricity while further enhancing the farming technology and facilities. I wonder if the Secretary has any specific promotion strategy in this regard. Moreover, how can the barriers be removed by the relevant departments? Given that land use is involved, an application has to be made to the Town Planning Board. This process is rather long and complicated.*

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, I thank Ir Dr LO for his question about FiT. FiT has been implemented for about a year with positive feedback. The main reply has also briefly mentioned that in the past decade or so in Hong Kong, there were only some 200 private projects of connecting energy systems to the power grids, but now the number of approved applications has already reached some 4 000, covering different places. Some of such places are residential sites, some are industrial and commercial buildings, and some are public organizations like schools, as well as various places in the New Territories.

I believe that the Member's question is, given that certain places may be in contradiction or conflict with some laws or regulations, how we can resolve the problem through interdepartmental cooperation. Perhaps let me respond in this way. Hong Kong has accumulated the relevant experience for over a year. At this stage, we can review what cases, examples or difficulties there are which necessitate the Government's promotion, sorting or coordination. On the basis of these cases, we will move forward in a more practical manner.

PRESIDENT (in Cantonese): Oral questions end here.

WRITTEN ANSWERS TO QUESTIONS

Stand-over item: Sixteen questions for written replies (standing over from the meeting of 3 July 2019)

Odour problem at the Tsuen Wan waterfront

7. **DR KWOK KA-KI** (in Chinese): *President, some residents of Tsuen Wan West have relayed that the seawater odour problem of Rambler Channel off the Tsuen Wan waterfront has been causing distress to them for many years. The Environmental Protection Department ("EPD") has indicated that polluted water and matters have been discharged into the stormwater drainage system of Tsuen Wan District, and the organic matters therein have deposited and accumulated inside the culverts and then decayed, thus generating the odour. The Review of West Kowloon and Tsuen Wan Sewerage Master Plans, which was completed by EPD in 2010, identified in Tsuen Wan District three and 49 cases of misconnection of foul water pipes to stormwater drains ("foul water pipe misconnection cases") by street-level shops and buildings respectively. In this connection, will the Government inform this Council:*

- (1) of the respective numbers of foul water pipe misconnection cases which have been (i) uncovered, (ii) followed up and (iii) rectified by the authorities since 2010;*
- (2) given that the Drainage Services Department is constructing and plans to construct a total of 12 dry weather flow interceptors to reduce pollution to the water in the coastal area of Tsuen Wan Bay and Rambler Channel, but such interceptors will be able to remove only about 70% of the total pollution loading from the stormwater drainage system, whether the authorities will consider providing financial assistance to the owners' corporations in need, so as to expedite the rectification of foul water pipe misconnections in buildings; if so, of the details; if not, how the authorities will encourage property owners and their owners' corporations to solve the problem; and*
- (3) whether EPD will collaborate with other government departments to enhance monitoring and testing work, so as to identify more street-level shops and buildings which have misconnected foul water*

pipes; if so, of the details and the timetable; if not, how the authorities thoroughly solve the odour problem at the Tsuen Wan waterfront?

SECRETARY FOR THE ENVIRONMENT (in Chinese): President, in an effort to improve the water quality of Victoria Harbour, the Government has been progressively implementing the Harbour Area Treatment Scheme ("HATS"). Upon full commissioning of HATS Stage 2A in December 2015, all sewage generated in areas around Victoria Harbour, including Kowloon, Tsuen Wan and most parts of Hong Kong Island has been intercepted and diverted to the Stonecutters Island Sewage Treatment Works for centralized treatment. As a result, the overall water quality in the harbour has significantly improved. However, there are still residual polluting discharges entering certain coastal waters of Victoria Harbour, causing some degree of odour problems. The Environmental Protection Department ("EPD"), in collaboration with other relevant departments, has been implementing a series of measures to control near-shore pollution problems at source.

The reply to the question raised by Dr KWOK Ka-ki is as follows:

- (1) The Review of West Kowloon and Tsuen Wan Sewerage Master Plans, which was completed by EPD in 2010, identified 52 cases of sewage being discharged into storm drains in Tsuen Wan District. Among these cases, 38 have already been rectified, while the remaining 14 are being handled by the Buildings Department ("BD"). These remaining cases all involve communal pipe misconnections within buildings in old districts. About half of these buildings do not have Owners' Corporations ("OCs") formed and hence more time is required in coordinating with owners and residents to solve the misconnection problems. Apart from that, EPD had carried out more than 1 300 effluent discharge inspections in Tsuen Wan District from 2010 to September 2019 and revealed 15 cases of sewer pipe misconnection. Among these cases, 14 have been rectified. The remaining case is being followed up by a restaurant's owner and rectification work is expected to be completed by the end of this year.

- (2) At present, BD, Urban Renewal Authority ("URA") and Hong Kong Housing Society ("HKHS") are implementing a number of financial assistance schemes to assist eligible building owners in carrying building repair and maintenance, including the rectification of defective drainage within buildings. Details are set out as follows:

<i>Financial assistance schemes</i>	<i>Relevant Department and Organizations</i>	<i>Purpose</i>
Owners' Corporation Formation Subsidy	URA and HKHS ⁽¹⁾	To encourage and subsidize building owners in the formation of OCs to facilitate building maintenance.
Common Area Repair Works Subsidy		To encourage OCs/owners to carry out comprehensive maintenance works to the building's common areas.
Home Renovation Interest-free Loan		To encourage private residential flat owners to carry out internal repairs and maintenance works to their flats.
Building Safety Loan Scheme	BD	To assist individual owners of private buildings in carrying out works related to the improvement of building safety and hygiene or for compliance with statutory orders.
Building Maintenance Grant Scheme for Elderly Owners	HKHS	To assist elderly owner-occupiers in repairing and maintaining their buildings and improving building safety.

Note:

- (1) Since 1 July 2015, URA has taken over all the rehabilitation scheme areas previously managed by HKHS under the three schemes and provides a territory-wide service under the scheme. In other words, HKHS has stopped accepting new applications under the three schemes since then but continues to process and follow up on applications received on or before 30 June 2015.

In addition, to further safeguard public safety, the Government plans to launch Operation Building Bright 2.0 at a cost of \$3 billion to provide technical and financial assistance to eligible building owners to carry out inspection and repair works under the Mandatory Building Inspection Scheme, including the rectification of defective drainage within buildings.

- (3) EPD will continue to carry out pollution source investigation in Tsuen Wan District and trace the effluent discharge routing in each case to confirm the pollution source(s). If there is sufficient evidence, EPD shall instigate prosecution against the suspected illegal discharger(s). When an expedient connection within buildings is identified during investigation, the case will be referred to BD for follow-up under the Buildings Ordinance. If there is contravention of the Buildings Ordinance, BD will supervise the duty holder to rectify the expedient connection.

Sewage pipe misconnection is only one of the sources that causes residual polluting discharges entering certain coastal waters of the Victoria Harbour through the stormwater drainage system. EPD is carrying out a consultancy study on further enhancement of the near-shore water quality and the general environment of the Victoria Harbour for developing a comprehensive plan to thoroughly solve the odour problems caused by residual polluting discharges entering certain coastal waters of the Victoria Harbour. Apart from rectifying problems of sewage pipe misconnection, the study also reviews measures of enhancing collaboration between departments, raising public awareness on reducing discharge of pollutants to stormwater drains at source, as well as implementing engineering solutions such as provision of newly designed dry weather flow interceptors near the stormwater outfalls or at other strategic locations. The consultants will submit the complete study report within this year. While the study is yet to be completed, the Government is gradually implementing some pollution control works including the modification and construction of dry weather flow interceptors on both sides of the Victoria Harbour, as well as systematic investigation and rehabilitation of ageing sewers with high risks of structural failure to alleviate leakage-induced odour problem. In addition, the Government is collaborating with academic institutions to investigate the application of "odour-control hydrogel" to inhibit odorous gas emission in the drainage system.

Producer Responsibility Scheme on Waste Electrical and Electronic Equipment

8. **MR MARTIN LIAO** (in Chinese): *President, the Government has implemented the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment ("WPRS") since August 2018. Under WPRS, only suppliers which have registered with the Environmental Protection Department ("EPD") are permitted to distribute regulated electrical equipment ("REE") (i.e. air-conditioners, refrigerators, washing machines, televisions, computers, printers, scanners and monitors), and they are also required to pay recycling levies to EPD. Moreover, a seller of REE must have a removal service plan endorsed by EPD, under which free removal service can be arranged, in accordance with the plan, to dispose of, on behalf of consumers, electrical equipment of the same class abandoned by them ("removal service"). Any person who is engaged in the storage, treatment, reprocessing or recycling of abandoned REE must obtain a waste disposal licence. It has been reported that although WPRS has been implemented for one year, haphazard disposal of waste electrical and electronic equipment ("WEEE") is still seen from time to time in the city. Regarding the implementation of WPRS, will the Government inform this Council:*

- (1) of the respective current numbers of (i) registered suppliers, (ii) registered sellers, (iii) waste disposal licences granted, and (iv) removal service plans endorsed, under WPRS;*
- (2) whether it knows the quantity of WEEE disposed of so far under WPRS (with a tabulated breakdown by name of recyclers);*
- (3) as the treatment and recycling facility developed to underpin WPRS (i.e. WEEE-PARK), which is equipped with a refurbishment workshop, diverts serviceable electrical appliances received for repair into refurbished items for donation to families in need, whether the Government knows the to-date number of families which have been donated electrical appliances (with a tabulated breakdown by type of electrical appliances); whether it has evaluated the effectiveness of the donation arrangement;*
- (4) as EPD has recently invited tenders for appointing recyclers to provide treatment and recycling services in respect of washing machines collected outside the removal service, of the specific*

reasons for EPD to make such an arrangement and the estimated annual treatment capacity; whether it has plans to make the same arrangement for other types of WEEE; if not, of the reasons for that; whether the refurbished washing machines will be donated to families in need; if not, of the reasons for that;

- (5) of (i) the current average numbers of inspections carried out each month by EPD on suppliers and sellers respectively, and (ii) the respective numbers of written warnings issued and prosecutions instituted by EPD against them so far; the penalties imposed on those convicted;*
- (6) of the average number of illegal refuse deposit black spots and recycling sites of electronic waste inspected by the relevant government department(s) in each month last year; the total quantity of illegally deposited WEEE discovered during such inspections, the number of prosecutions instituted against the persons concerned, and the penalties imposed on those convicted; and*
- (7) whether WPRS can achieve full cost recovery so far; whether it has plans to review and adjust the level of levies according to the established mechanism?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President, the Producer Responsibility Scheme ("PRS") on Waste Electrical and Electronic Equipment ("WEEE"), or in short WPRS, came into effect on 1 August 2018. It covers air-conditioners, refrigerators, washing machines, televisions, computers, printers, scanners and monitors (collectively referred to as regulated electrical equipment, or REE). Through licensing control and requirements, WPRS put local workshops treating WEEE on the right track and phased out those that were operating improperly, enhancing protection to the environment and safety and health of workers. With WPRS, WEEE generated locally that would have been otherwise exported for disposal or sent to landfills are now collected and recycled properly into resources.

Upon implementation of WPRS, a member of the public is entitled, upon purchase of a REE, to ask the seller to arrange for delivery of the new item and removal of the used item of the same class on the same day at no extra charge.

If the seller opts for the service provided by the operator of the Government's WEEE Treatment and Recycling Facility ("WEEE·PARK"), i.e. ALBA-IWS, the operator will, after receipt of a service request from the seller, collect the waste equipment starting from three working days from the date of sales as requested by the customer. Since the implementation of WPRS, the Government's operator has been able to deliver the service as requested in 99.9% of the cases. Apart from WPRS, the Government has also introduced a new and free collection service. A member of the public can make an appointment with the Government's operator for a free collection service through the recycling hotline 2676 8888 even if he/she has not purchased a new REE. This service not only promotes recycling but also saves members of the public the burden of disposing of the used REE on their own or at a cost.

To implement WPRS, WEEE·PARK developed by the Government commenced full operation in March last year, ensuring that Hong Kong has adequate capacity for processing waste REE generated locally. At the same time, the Government has been encouraging local recyclers to enhance their operation standards by obtaining waste disposal licences ("WDLs") for e-waste, or e-WDLs in short, in compliance with the requirements set out under the Waste Disposal Ordinance (Cap. 354) ("WDO") for the recycling and treatment of waste REE, with a view to promoting the development of the recycling industry and facilitating a circular economy.

My responses to the question raised by Mr Martin LIAO are as follows:

- (1) From the implementation of WPRS up to late September 2019, there are around 250 registered suppliers approved by the Environmental Protection Department ("EPD"), and over 3 400 sellers' removal service plans had been endorsed. Besides, EPD has issued a total of 15 e-WDLs so far, with several applications being processed.
- (2) From the implementation of WPRS on 1 August 2018 up to late September 2019, WEEE·PARK operator processed over 25 800 tonnes of WEEE. Moreover, since 31 December 2018, licensees holding e-WDLs (including WEEE·PARK) are required to submit statistics on the amount of e-waste processed to EPD on a quarterly and annual basis. According to the first two quarterly reports, the 11 licensed facilities other than the WEEE·PARK operator processed

a total of some 570 tonnes of waste REE in the first half of 2019. As commercially sensitive information is involved, we are unable to provide the respective quantity processed by these 11 licensed facilities.

- (3) WEEE·PARK commenced its operation in October 2017. As at September 2019, it has refurbished a total of 2 180 units of electrical appliances for donation to those in need, in compliance with the relevant contractual requirements. The detailed breakdown is as follows:

<i>Type of electrical appliance</i>	<i>Quantity (units) [From October 2017 to September 2019]</i>
Television	572
Refrigerator	1 180
Washing machine	228
Air-conditioner	200
Total	2 180

- (4) To enable a more balanced development of the recycling industry and encourage market participation in the recycling of WEEE, we launched an open tender exercise on 30 April 2019 to appoint a recycler with e-WDL to provide treatment and recycling services for washing machines collected outside the removal services required under WPRS. Relevant service contract has been awarded in September 2019. The contractor, Vannex International Limited, is required to process 1 350 tonnes of waste washing machines within the contractual period of 10 months. Given that recyclers holding WDLs for waste washing machines usually offer no refurbishment service, our contract does not require the contractor to refurbish waste washing machines for donation. We will keep in view market changes or developments, and will take account of various factors (such as whether more recyclers in the private sector are issued with WDLs for different types of e-waste, the respective quantities of different types of e-waste collected and treated by the government-commissioned service operator in the future, and public views on short-term service contracts) before we decide on the need to prepare a further contract and draw up its details.

- (5) From the implementation of WPRS on 1 August 2018 up to late September 2019, EPD conducted 280 inspections on REE suppliers and issued 13 written warnings, and two cases were successfully prosecuted with a total fine of over \$3,000. As for REE sellers, a total of 1 574 inspections were conducted, and 22 cases were successfully prosecuted with a total fine of \$70,000.
- (6) In 2018, EPD carried out over 12 000 inspections against illegal waste disposal. Four hundred twenty-one cases involving illegal disposal of waste, including construction waste and municipal solid waste, were successfully prosecuted under WDO by way of summonses and fixed penalty notices, with the total fines amounting to over \$1.2 million. Two fixed penalty notices were related to illegal disposal of e-waste.

Besides, the disposal licensing control of e-waste took effect on 31 December 2018. As at late September 2019, EPD conducted over 920 inspections on open recycling sites not holding WDLs, and three cases were successfully prosecuted with a total fine of over \$30,000. Moreover, EPD conducted over 360 supervisions or inspections to licensed e-waste disposal facilities and did not find any non-compliance.

- (7) The recycling levy for REE under WPRS was determined based on the "polluter-pays" principle, and by making reference to the various costs involved in WEEE·PARK's development and its operation within the 10-year contractual period, with a view to achieving full cost recovery eventually. As of today, the revenue of WPRS is broadly in line with the expenditure. To meet the goal of achieving full cost recovery, we will regularly review the levy according to established policy. Various factors that may affect the level of recycling levy will be taken into account in our review, such as inflation rate, proportions of the various types of REE treated, fluctuations in the sales volume of REE, etc.

Regulation of the tourism industry

9. **MR LAU KWOK-FAN** (in Chinese): *President, it has been reported that the Action Travel Services Limited suddenly closed down in March last year, affecting around 450 customers who suffered a loss of several million dollars in total. Before it closed down, the company had been selling for a long time promissory tour packages, i.e. air tickets and hotel accommodations without confirmed departure dates. As the receipts held by such customers were not franked with levy stamps, they were not protected by the Travel Industry Compensation Fund. Regarding the regulation of the tourism industry, will the Government inform this Council:*

- (1) *given that over a year ago, the Customs and Excise Department arrested, under the Trade Descriptions Ordinance (Cap. 362), three persons-in-charge of the aforesaid travel agency who were suspected to have wrongly accepted payment, and yet it is learnt that the Department of Justice ("DoJ") has decided not to institute prosecutions against them, of the specific justifications based on which DoJ made such decision, and whether it has studied if there are loopholes in the existing regulatory regime; if it has studied and the outcome is in the affirmative, of the measures in place to plug the loopholes; if the study outcome is in the negative, the justifications for that;*
- (2) *of the respective numbers of cases involving the tourism industry in which DoJ (i) provided legal advice to law enforcement agencies and (ii) instituted prosecutions against the persons concerned, in each of the past five years; and*
- (3) *given that in November last year, this Council passed the Travel Industry Bill, which provides that the Travel Industry Authority to be established will take over the duties to regulate the industry, of the progress of the relevant work?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): *President, in response to the question raised by Mr LAU Kwok-fan, with the Department of Justice ("DoJ") consulted, my reply is as follows:*

- (1) The Trade Descriptions Ordinance (Cap. 362) ("the Ordinance") prohibits a series of unfair trade practices, including wrongly accepting payment. Under the Ordinance, any trader commits an offence if at the time of acceptance of payment, the trader intends not to supply the product or intends to supply a materially different product, or there are no reasonable grounds for believing that the trader will be able to supply the product within a specified or reasonable period. The maximum penalty upon conviction is a fine of \$500,000 and imprisonment for five years. The Ordinance accords adequate protection to consumers.

The Customs and Excise Department ("C&ED") is responsible for enforcing the Ordinance and seeks legal advice from DoJ based on the facts and evidence collected during an investigation. In making any prosecutorial decision on whether or not to prosecute, DoJ will carefully consider the evidence submitted by the law enforcement agency, the facts of the case, the applicable laws and the guidelines in the Prosecution Code. A prosecutor must consider two issues in deciding whether to prosecute, i.e. first, whether there is sufficient evidence to justify instituting proceedings; second, if there is sufficient evidence, whether the public interest requires a prosecution to be pursued. A prosecution should not be instituted unless the prosecutor is satisfied that there is legally sufficient evidence to support a prosecution, i.e. evidence that is admissible and reliable and, together with any reasonable inference able to be drawn from it, likely to prove the offence. The test is whether the evidence demonstrates a reasonable prospect of conviction.

As regards the case mentioned in the question, after carefully considering the materials submitted by C&ED, DoJ is of the view that there is insufficient evidence to support prosecution therein for offences under the Ordinance, and that there is no reasonable prospect of conviction. No prosecution is thus instituted against the persons involved under the Ordinance. This decision is in line with the above mentioned standing prosecution principles, and there is no loophole in the relevant regulatory regime. C&ED will continue to take a three-pronged approach, namely stringent enforcement, compliance promotion, and publicity and education, in enforcing the Ordinance proactively to protect consumer interests.

- (2) DoJ does not maintain the requested statistics.
- (3) The Travel Industry Bill was passed by the Legislative Council in November last year to provide a legal basis for the establishment of the Travel Industry Authority ("TIA") as an independent statutory body. The Tourism Commission has set up a preparatory team, headed by an Assistant Commissioner for Tourism, the proposed post creation of which was approved by the Finance Committee of the Legislative Council in end March this year.

The preparatory team is pressing ahead with planning and undertaking various preparatory tasks, including taking forward an appointment exercise of TIA, formulating TIA's governance framework and work plans, internal administrative rules and procedures, etc., in order to establish TIA as soon as possible and to embark on formulating details of the new regulatory regime (including subsidiary legislation, rules and procedures on licensing and regulatory matters, etc.) and transitional arrangements, etc.

New drugs for treating lung cancers

10. **DR HELENA WONG** (in Chinese): *President, a patient group has pointed out that medical researches have proved that: Alectinib, a targeted therapy drug for the treatment of ALK-positive non-small-cell lung cancer ("NSCLC"), has an efficacy comparable with that of Crizotinib (currently first-line targeted therapy drug), and carries fewer side effects and is effective in preventing brain metastases; and Atezolizumab (one of the programmed death ligand 1 ("PD-L1") inhibitors), an immunotherapy drug, is effective in extending patients' survival when used as a second-line drug for treatment of advanced NSCLC. However, the Hospital Authority ("HA") has currently listed these two drugs as second-line self-financed items ("SFIs") which are respectively with and without safety net coverage. In this connection, will the Government inform this Council if it knows:*

- (1) *whether HA will consider listing Alectinib as a first-line SFI with safety net coverage; if HA will, of the timetable; if not, the reasons for that; and*

- (2) *whether HA will consider listing PD-L1 inhibitors as SFIs with safety net coverage; if HA will, 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 Helena WONG is as follows:

- (1) and (2)

As the major provider of publicly-funded public health care services, the Hospital Authority ("HA") attaches high importance to the provision of optimal care for all patients (including cancer patients) while ensuring patients an equitable access to safe, efficacious and cost-effective drugs under the highly subsidized public health care system.

On drug management, HA has an established mechanism for regular appraisal of new drugs and review of its Drug Formulary ("HADF") and coverage of the safety net, including formulation of relevant clinical guidelines for drugs incorporated into HADF and the safety net. The process follows the principles of evidence-based medical practice, rational use of public resources, targeted subsidy, opportunity cost consideration and facilitation of patients' choice, taking into account safety, efficacy and cost-effectiveness of drugs and other relevant considerations, including international recommendations and practices as well as views of professionals and patient groups.

In accordance with the above principles and mechanism, Alectinib has been included in the subsidy coverage of the Community Care Fund ("CCF") Medical Assistance Programme (First Phase Programme) since mid-February 2019. Its designated clinical indication is for treating patients with ALK-positive, metastatic non-small-cell lung cancer ("NSCLC") who have progressed on Crizotinib and intolerant to Ceritinib, or those who have central nervous system progression after Crizotinib treatment. Doctors will prescribe drugs in the light of their patients' clinical conditions and make referrals for those in need of CCF subsidies.

Atezolizumab, a drug for treatment of advanced NSCLC, is one of the programmed death ligand 1 (PD-L1) inhibitors. It has been included as a self-financed drug in HADF since July 2018.

HA understands the strong aspiration of cancer patients for including certain self-financed cancer drugs in the safety net. To provide more suitable assistance for patients, HA has increased the frequency of prioritization exercise for including self-financed drugs in the safety net and relaxing the clinical indications of individual drugs from once to twice a year, in order to shorten the lead time for introducing suitable new drugs and clinical indications to the safety net. HA's Drug Management Committee, which is responsible for the prioritization exercise, comprises medical experts who provide professional opinion on the safety, efficacy and cost-effectiveness of each drug item.

Evaluation of drugs is an ongoing process driven by evolving medical evidence, the latest clinical developments and market dynamics. HA will continue to keep abreast of the latest development of clinical and scientific evidence of different cancer drugs and immunotherapy, listen to the views and suggestions of patients' groups, and review HADF and coverage of the safety net under the principle of rational use of limited public resources while providing treatment to the largest number of needy patients.

Importation of workers

11. **MR SHIU KA-FAI** (in Chinese): *President, operators of many industries have relayed, one after another, that the problem of local labour shortage is serious, and different industries have for a long time been facing recruitment difficulties. Although they may apply for importation of workers currently through the Supplementary Labour Scheme ("the Scheme"), the situation of labour shortage has not been improved. Regarding the importation of workers (excluding foreign domestic helpers), will the Government inform this Council:*

- (1) *of the respective numbers of workers the importation of which was applied for and approved under the Scheme in each of the past five years, with a breakdown by job type and type of application (i.e. new application and application for renewal);*

- (2) *of the number of such workers in each of the past five years, broken down by the number of years for which they have been working in Hong Kong;*
- (3) *whether it has assessed the impact of a prolonged manpower shortage on the development and service quality of different industries; if so, of the outcome; if not, the reasons for that;*
- (4) *whether it has evaluated the effectiveness of the Scheme; if so, of the outcome; if not, the reasons for that;*
- (5) *as the Secretary for Labour and Welfare and the Chief Secretary for Administration have indicated recently, one after another, that the Government will seriously and actively consider importing workers if individual industries face manpower shortage, whether the Government will introduce a relevant scheme this year; if so, of the details (including the announcement date and implementation timetable); if not, the reasons for that; and*
- (6) *how Hong Kong compares with Singapore, Macao and Japan in terms of the policy on the importation of workers and the number of workers imported?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, having consulted the concerned bureaux, I provide a consolidated reply to the Member's question as follows:

- (1) and (2)

From 2014 to 2018, employers applied to import 6 613, 4 689, 5 556, 4 390 and 5 095 workers respectively under the Supplementary Labour Scheme ("SLS"). The numbers of imported workers approved respectively in these five years were 2 722, 2 880, 3 802, 2 765 and 3 225. The vetting of applications received towards year-end may be completed in the following year, and hence the number of imported workers approved each year does not necessarily fully reflect the approval results of the applications for

importation of workers in the year. Breakdowns of the numbers of imported workers applied for and approved by job title are at Annexes 1 to 5. The employment contract of an imported worker under SLS is subject to a maximum span of 24 months. The Labour Department ("LD") does not keep the numbers of imported workers by type of application (i.e. new application and application for renewal) or by the number of years for which they have been working in Hong Kong.

(3) to (6)

The Government operates different schemes for employers to apply for importation of labour on account of their actual operational circumstances so as to supplement skills not readily available in the local labour market and sustain the competitiveness and development needs of Hong Kong. Depending on the skill levels and/or educational requirements of the job vacancies concerned, employers may apply to the Immigration Department for admission of professionals or to LD for importation of workers at technician level or below under SLS.

Having regard to the manpower shortage in the elderly care sector, the Government introduced measures in April 2014, allowing private residential care homes for the elderly participating in the Enhanced Bought Place Scheme to apply for importation of care workers for their non-bought places. As for the construction industry, the Government has been collaborating with the Construction Industry Council and stakeholders in the construction industry to implement multi-pronged measures to enhance training for skilled workers, attract more new recruits and promote the industry to widely adopt innovative technologies for productivity enhancement. If there are individual works projects with genuine manpower shortage in certain trades, the contractors may consider applying for importation of the required skilled workers on a temporary, time-limited and targeted basis through relevant schemes.

Relevant government bureaux and departments will continue to closely monitor the manpower demand and supply of different sectors, as well as enhance training and attract new recruits. On the

premise of safeguarding the employment priority of local workers, the Government will explore with stakeholders the possibility of increasing imported labour on an appropriate and limited scale.

LD does not keep information on comparison among Hong Kong, Singapore, Macao and Japan in terms of the policy on the importation of workers and the number of workers imported.

Annex 1

Number of imported workers applied for and approved under SLS in 2014: a breakdown by job title

<i>Job title</i>	<i>Number of imported workers applied for*</i>	<i>Number of imported workers approved*</i>
1. Care Worker (Elderly Service)	1 885	1 377
2. Livestock/Poultry/Fish/Crop Farm Worker	475	439
3. Gardening Worker	146	127
4. Cook	146	90
5. Rigger/Metal Formwork Erector	122	1
6. Tunnel Worker	94	86
7. Machine Operator	87	41
8. Trackworker	75	53
9. Care Worker (Disabled Service)	74	36
10. Others	3 509	472
Total	6 613	2 722

Note:

- * The vetting of applications received towards year-end may be completed in the following year, and hence the number of imported workers approved each year does not necessarily fully reflect the approval results of the applications for importation of workers in the year.

Annex 2

Number of imported workers applied for and approved
under SLS in 2015: a breakdown by job title

<i>Job title</i>	<i>Number of imported workers applied for*</i>	<i>Number of imported workers approved*</i>
1. Care Worker (Elderly Service)	1 361	1 035
2. Livestock/Poultry/Fish/Crop Farm Worker	469	391
3. Cook	224	85
4. Bar Bender and Fixer	200	103
5. Gardening Worker	177	128
6. Rigger/Metal Formwork Erector	110	30
7. Quality Controller/Inspector/Control Supervisor	90	56
8. Structural Steel Welder	80	4
9. Care Worker (Disabled Service)	79	43
10. Others	1 899	1 005
Total	4 689	2 880

Note:

- * The vetting of applications received towards year-end may be completed in the following year, and hence the number of imported workers approved each year does not necessarily fully reflect the approval results of the applications for importation of workers in the year.

Annex 3

Number of imported workers applied for and approved
under SLS in 2016: a breakdown by job title

<i>Job title</i>	<i>Number of imported workers applied for*</i>	<i>Number of imported workers approved*</i>
1. Care Worker (Elderly Service)	2 039	1 383
2. Livestock/Poultry/Fish/Crop Farm Worker	487	410
3. Cook	275	94
4. Refrigeration/Air-conditioning/Ventilation Mechanic (Air System)	257	177
5. Gardening Worker	236	166
6. Curtain Wall Installer	180	121

<i>Job title</i>	<i>Number of imported workers applied for*</i>	<i>Number of imported workers approved*</i>
7. Refrigeration/Air-conditioning/Ventilation Mechanic (Water System)	175	135
8. Metal Worker	140	27
9. Fire Service Electrical Fitter	135	39
10. Others	1 632	1 250
Total	5 556	3 802

Note:

- * The vetting of applications received towards year-end may be completed in the following year, and hence the number of imported workers approved each year does not necessarily fully reflect the approval results of the applications for importation of workers in the year.

Annex 4

Number of imported workers applied for and approved under SLS in 2017: a breakdown by job title

<i>Job title</i>	<i>Number of imported workers applied for*</i>	<i>Number of imported workers approved*</i>
1. Care Worker (Elderly Service)	1 694	1 510
2. Livestock/Poultry/Fish/Crop Farm Worker	488	422
3. Cook	315	126
4. Gardening Worker	307	216
5. Machine Operator	114	54
6. Quality Controller/Inspector/Control Supervisor	79	68
7. Care Worker (Disabled Service)	78	63
8. Waste Handling Worker	51	22
9. Bean Curd/Soya Bean/Bean Sprout Processing Worker	38	59
10. Others	1 226	225
Total	4 390	2 765

Note:

- * The vetting of applications received towards year-end may be completed in the following year, and hence the number of imported workers approved each year does not necessarily fully reflect the approval results of the applications for importation of workers in the year.

Annex 5

Number of imported workers applied for and approved
under SLS in 2018: a breakdown by job title

<i>Job title</i>	<i>Number of imported workers applied for*</i>	<i>Number of imported workers approved*</i>
1. Care Worker (Elderly Service)	2 108	1 409
2. Livestock/Poultry/Fish/Crop Farm Worker	553	448
3. Gardening Worker	315	247
4. Cook	302	155
5. Machine Operator	165	57
6. Care Worker (Disabled Service)	112	69
7. Bean Curd/Soya Bean/Bean Sprout Processing Worker	87	79
8. Quality Controller/Inspector/Control Supervisor	79	38
9. Waste Handling Worker	72	19
10. Others	1 302	704
Total	5 095	3 225

Note:

- * The vetting of applications received towards year-end may be completed in the following year, and hence the number of imported workers approved each year does not necessarily fully reflect the approval results of the applications for importation of workers in the year.

Rents of newly built public rental housing flats

12. **MR KWOK WAI-KEUNG** (in Chinese): *President, in implementing projects to redevelop public rental housing ("PRH") estates, the Hong Kong Housing Authority ("HA") and the Hong Kong Housing Society ("HKHS") will arrange for rehousing affected tenants to newly built PRH flats in the same district. Quite a number of such tenants have relayed to me that the rents of the new flats are much higher than the rents they used to pay (e.g. the rents of the newly built flats at HKHS's Ming Wah Building in Shau Kei Wan being two times*

higher than those of the old flats), which has posed a heavy financial burden on them (especially the elderly tenants). In this connection, will the Government inform this Council whether it knows:

- (1) of the "District Best Rent Level" of each of the six broad districts under HA, and their rates of changes, in each of the past five years;*
- (2) of the factors considered by HA in fixing the rents of newly built PRH flats, and whether such factors include the affordability of tenants; the respective percentages of rates, management fees and maintenance costs in the rents of the new PRH flats in general;*
- (3) of the factors considered by HKHS in fixing the rents of newly built PRH flats, and whether such factors include the construction costs, recurrent management expenses, and affordability of tenants; if so, of the respective weightings of such factors;*
- (4) of the respective numbers of tenants who benefited from the rent assistance schemes under HA and HKHS in the past five years, and among such tenants, the respective numbers and percentages of those who had been affected by redevelopment projects and rehoused to newly built PRH flats for less than two years;*
- (5) whether HA and HKHS will (i) review the mechanisms for fixing the rents of newly built PRH flats and enhance the transparency of such mechanisms, (ii) provide those tenants affected by redevelopment projects with a longer period of rent waiver, and (iii) set aside more non-newly built PRH flats whose rents are lower for rehousing tenants who cannot afford the high rents; and*
- (6) given that HA has indicated early this year that it planned to launch a concessionary initiative to offer lifetime full rent exemption to under-occupation households whose family members are all elderly persons (i.e. aged 70) upon their voluntary relocation to smaller flats, of the progress of the relevant work; whether HA will accord priority to the applications from eligible tenants affected by redevelopment projects?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, my consolidated reply to Mr KWOK Wai-keung's question is as follows:

It has been a long-standing policy for the Hong Kong Housing Authority ("HA") to set Public Rental Housing ("PRH") rents at a reasonable and affordable level for our tenants. Pursuant to section 16A of the Housing Ordinance, HA shall conduct PRH rent review every two years and adjust the rent based on the change in the income index between the first and second periods⁽¹⁾ covered by the review. If HA accepts that the income index for the second period is higher than that of the first period by more than 0.1%, HA shall increase PRH rent by the same rate of increase of the income index or 10%, whichever the less. If the income index for the second period is lower than that of the first period by more than 0.1%, HA shall reduce PRH rent by the same rate of decrease in the income index, and the reduction has no limit. This mechanism provides an objective basis for HA to determine the level of adjustment of PRH rent according to the tenants' affordability. The consideration factors do not involve the rates, management fee and maintenance costs.

As regards the rents of residential flats in newly completed PRH estates, they are fixed according to the District Best Rent Levels ("DBRLs") of respective districts under HA. According to the prevailing mechanism, DBRLs are adjusted following the same rate of adjustment determined by the above biennial PRH rent review. HA has no plan to review the concerned mechanism. According to the results of the last three rent review exercises, DBRLs were increased by 10% subsequent to each rent review exercise. Information on DBRLs of each district in the past five years are at Annex 1.

Under the Rent Assistance Scheme ("RAS"), HA grants relief to PRH tenants (including those affected by redevelopment/clearance) who have temporary financial hardship which makes them unable to afford the rent. Eligible tenants under RAS are granted either 25% or 50% rent reduction. HA will review the eligibility of RAS beneficiaries biennially. If RAS beneficiaries have received rent assistance for four consecutive years and still need assistance, they are required to move to flats with lower rent, if available. Besides, for tenants who are affected by redevelopment/clearance projects, HA will provide them with reception estates. Subject to the availability of suitable PRH flats, affected tenants can also choose to move to other PRH flats in any district earlier.

(1) Taking the 2018 PRH rent review for example, the first period for the purpose of computing the income index is the 12 months in 2015, while the second period is the 12 months in 2017.

HA has no plan to change the existing practice. In the past five years, the numbers of households participating in HA's RAS are at Annex 2. HA does not keep relevant records of the number of RAS beneficiaries who were affected by redevelopment/clearance projects.

HA's Subsidised Housing Committee approved the implementation of a trial scheme on 21 June 2019 to allow under-occupation households whose family members are all aged 70 or above to transfer to PRH units of suitable sizes voluntarily and enjoy full rent exemption. The trial scheme, which will last for one year, will be implemented by the end of 2019. Implementation details of the scheme for redevelopment/clearance projects will be announced separately.

Regarding the Hong Kong Housing Society ("HKHS"), as a self-financing non-profit-making organization, they have to break even in the development and management of its rental estates to achieve sustainability. HKHS's main consideration in fixing rents of its newly built rental units is the building and operating costs of estates, and having an overall regard to the following factors: rental income must be sufficient to cover the daily management expenses, tenancy administration cost, Government rent, and the tenants' affordability, etc.

In fixing rents of its newly built rental units in future, HKHS will continue to strive for a balance among various factors, including tenants' affordability and operation costs of estates, and will maintain communication with related stakeholders. On the other hand, HKHS has been providing appropriate assistance for tenants with financial difficulty. HKHS has introduced the Rent Assistance Scheme since 1 September 2018, which allows tenants with short-term financial difficulty to apply for 50% rent reduction. HKHS will review the eligibility of relevant tenants biennially to determine if the rent assistance should continue to be granted. As at September 2019, a total of 534 tenants have been granted rent assistance. There is no rent assistance case from tenants who had been affected by redevelopment and rehoused to newly built rental units. Tenants with long-term financial difficulty can apply for transfer to other estates under HKHS with lower rent.

Tenants affected by Ming Wah Dai Ha ("MWDH") Redevelopment Phase 2 will receive 20% rent reduction in the first year after rehousing to newly built units of MWDH Redevelopment Phase 1. If in need, they may also choose to transfer to MWDH Blocks A to E or other estates under HKHS, both with lower rent.

Annex 1

HA's DBRLs of Each District

<i>District</i>	<i>Best Rent</i> <i>\$/sq m (Internal Floor Area)</i>		
	<i>Effective from Sep 2018</i>	<i>Effective from Sep 2016</i>	<i>Effective from Sep 2014</i>
Urban	85.5	77.8	70.8
Shatin/Tsuen Wan/Tsing Yi/Kwai Chung	82.7	75.2	68.4
Tai Po/Tseung Kwan O/Ma On Shan	75.0	68.2	62.0
Fanling/Sheung Shui/Tung Chung	60.6	55.1	50.1
Tin Shui Wai/Yuen Long/Tuen Mun	56.9	51.8	47.1
Islands	49.1	44.7	40.7

Annex 2

The numbers of households participating in HA's RAS in the past five years

<i>Year</i>	<i>Number of households</i>
2014	13 200
2015	16 051
2016	15 652
2017	16 863
2018	17 712

Road safety of Tai Chung Kiu Road in Sha Tin

13. **MR FRANKIE YICK** (in Chinese): *President, it has been reported that in recent years, a number of serious traffic accidents have occurred at a number of junctions along Tai Chung Kiu Road in Sha Tin. Although the Transport Department has been implementing a number of improvement measures progressively following a comprehensive review on the road safety of the road last year, traffic accidents still happen on the road from time to time. In this connection, will the Government inform this Council:*

- (1) *of the respective numbers of traffic accidents which happened on Tai Chung Kiu Road, and the resultant casualties, in each of the past five years and this year to date, together with a breakdown by (i) the cause of accident and (ii) the type of vehicle involved; and*
- (2) *whether it will consider lowering the vehicular speed limit for Tai Chung Kiu Road, and providing additional cautionary crossings on the road, so as to better safeguard the safety of pedestrians crossing the road; if so, of the details; if not, the reasons for that?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, the Government attaches great importance to the safety of roads (including Tai Chung Kiu Road in Sha Tin). In 2018, the Transport Department ("TD") conducted a comprehensive review of the conditions along Tai Chung Kiu Road and put forward a number of short- and medium-term traffic improvement measures to enhance the safety of the road section concerned.

In the short term, TD has implemented at a total of seven junctions along the section of Tai Chung Kiu Road between Lion Rock Tunnel Road and Siu Lek Yuen Road a number of short-term improvement measures, including (1) adding double white lines to separate traffic lanes with different traffic movements at the junction approaches; (2) adding advance traffic signs "Traffic Lights Ahead" at the junction approaches to alert motorists to the presence of signalized junctions ahead; (3) relocating or removing those traffic signs or street name plates that may obscure the sight-lines of motorists; (4) installing railings at the junctions to channelize the pedestrians to use crossings; and (5) installing backing boards at traffic lights to enable motorists to see traffic light signals more clearly. All related works were completed in April 2019.

Medium-term improvement measures include (1) adjusting the location of individual traffic lights, in particular those with "green arrow signs" (also known as "Traffic Lights with Split Phase"), to make the traffic signals clearer; (2) adding channelizing islands at the junctions to separate traffic lanes with different traffic movements; and (3) installing additional red light cameras ("RLCs"). In respect of the above mentioned measures, the installation works of RLCs at the southbound of Tai Chung Kiu Road near the junction at Sha Tin Wai Road and the junction at Fo Tan Road were completed by TD in December 2018 and March 2019 respectively. The Government is expediting the implementation of other improvement measures, including adjusting the location of traffic lights.

Since adjusting the location of traffic lights involves the construction of new cross road ducts, it is necessary to implement temporary traffic arrangements by phases at the road sections concerned to facilitate the construction works. In view of the busy traffic and relatively high vehicular speed on Tai Chung Kiu Road, TD and the Hong Kong Police Force have to be extremely cautious in approving the related temporary traffic arrangements. To this end, relevant government departments conducted a trial run on lane closure arrangements at the junction of Tai Chung Kiu Road and Sha Tin Wai Road/Shatin Rural Committee Road in May 2019. The improvement works for the junction commenced in July 2019 and are anticipated to be completed in October 2019. Improvement measures for other major junctions along Tai Chung Kiu Road will commence progressively with scheduled completion by phases between 2019 and 2020.

My reply to the various parts of Mr Frankie YICK's question is as follows:

- (1) According to TD's records, during the period from January 2014 to September 2019, the numbers of traffic accidents which occurred on Tai Chung Kiu Road in Sha Tin (a road section of approximately 3 km in length between Lion Rock Tunnel Road and Shek Mun Interchange), the resulting casualties as well as the classes and numbers of vehicles involved are tabulated at Annex. These traffic accidents were mainly caused by driver contributory factors, including "driving inattentively", "disobeying traffic signal/light" and "careless lane changing". At present, the road section concerned is not a traffic black spot.
- (2) At present, vehicular speed limits of 50 km per hour ("km/h") and 70 km/h are imposed on different sections of Tai Chung Kiu Road. In mid-2018, TD conducted a review of the above mentioned speed limits, taking into account various relevant factors, including the design travel speed of the road, the number and nature of traffic accidents, and the actual average speed of vehicles travelling on the road. Based on the outcome of the review, TD concludes that the speed limits currently in force remain appropriate. Upon full implementation of the above mentioned traffic improvement measures, TD will conduct another review of the speed limits of Tai Chung Kiu Road in due course. On those sections of Tai Chung Kiu Road where a speed limit of 70 km/h is currently imposed, TD has already provided grade-separated crossing facilities (e.g. footbridge and pedestrian subway) at suitable locations for pedestrians to cross the road safely.

Annex

Details of Traffic Accidents on Tai Chung Kiu Road between
Lion Rock Tunnel Road and Shek Mun Interchange from
January 2014 to September 2019

<i>Year</i>	<i>Number of traffic accidents</i>	<i>Casualties</i>			<i>Number of vehicles involved</i>								
		<i>Killed casualty</i>	<i>Serious injury</i>	<i>Slight injury</i>	<i>Motor cycle</i>	<i>Private car</i>	<i>Taxi</i>	<i>Public light bus</i>	<i>Public bus</i>	<i>Light goods vehicle</i>	<i>Medium goods vehicle</i>	<i>Special purpose vehicle</i>	<i>Bicycle</i>
2014	43	0	7	63	2	20	8	5	20	8	2	0	2
2015	39	1	10	81	2	19	12	7	18	8	3	0	0
2016	38	0	6	55	8	18	16	3	14	5	2	0	0
2017	37	1	3	47	4	24	7	7	12	4	2	0	2
2018	43	0	5	83	4	24	15	7	18	4	2	0	0
2019 (January to September)*	53	1	9	67	8	24	25	5	16	6	2	1	5

Notes:

* Provisional figures

Definitions:

Killed casualty: Sustained injury causing death within 30 days of the accident.

Serious injury: An injury for which a person is detained in hospital as an "inpatient" for more than 12 hours. Injuries causing death 30 or more days after the accident are also included in this category.

Slight injury: An injury of minor character such as a sprain, bruise or cut not judged to be severe, or slight shock requiring roadside attention without admission to hospital or requiring hospitalization for less than 12 hours.

Public markets in New Territories West and the Islands District

14. **MR LEUNG CHE-CHEUNG** (in Chinese): *President, regarding the public markets located in New Territories West and the Islands District, will the Government inform this Council:*

- (1) *as the Chief Executive stated in last year's Policy Address that the Government would build a public market in Tin Shui Wai and Tung Chung respectively, of the progress of the relevant work, the views collected from local consultations, and whether such views will be adopted;*
- (2) *in respect of the public markets under the Food and Environmental Hygiene Department ("FEHD") and the Hong Kong Housing Authority ("HA") that are located in New Territories West and the Islands District, of the (i) number of stalls, (ii) number of vacant stalls and (iii) vacancy rate of the stalls, in each of the past two years (set out in tables of the same format as Table 1);*

Table 1

Year: _____

<i>Managing authority</i>	<i>District</i>	<i>Name of market</i>	<i>(i)</i>	<i>(ii)</i>	<i>(iii)</i>

- (3) *in respect of the stalls that were not let out in each of the past five years in public markets under FEHD and HA that are located in New Territories West and the Islands District, of (i) the total floor area, (ii) the duration for which the stalls had not been let out, (iii) their existing uses and (iv) their future uses (set out in tables of the same format as Table 2); and*

Table 2

Year: _____

<i>Managing authority</i>	<i>District</i>	<i>Name of market</i>	<i>(i)</i>	<i>(ii)</i>	<i>(iii)</i>	<i>(iv)</i>

- (4) *of the policies and measures in place to tackle the situation in which some stalls, in those markets with high occupancy rates, are not in operation or in an inactive state for a prolonged period of time; whether it has assessed the effectiveness of such policies and measures?*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, having consulted the Transport and Housing Bureau, my reply to the various parts of the question is as follows:

- (1) As announced in the 2018 Policy Address, the Government plans to build new public markets at the section of Tin Fuk Road in Tin Shui Wai and Tung Chung Town Centre respectively. Well-connected by public transport and located in the vicinity of MTR stations and public transport interchanges, these two new market sites are convenient and easily accessible to members of the public. We consulted the Islands District Council and Yuen Long District Council in October last year on the Tung Chung Town Centre and Tin Shui Wai new market projects respectively, and received Members' support in general.

We are working with relevant departments in taking forward these two new market projects. According to the preliminary planning, the new markets will be air-conditioned with brand new designs, modern management and diversified trade mix of goods, so as to provide more choices and better shopping experience to the public in purchasing fresh food. These two projects are at the planning stage now. We will provide details of the projects upon completion of technical feasibility studies and cost-effectiveness assessment.

In addition, considering that it takes time to build the new public market in Tin Shui Wai, the Government has announced the establishment of a temporary market at the open space adjacent to Tin Sau Road Park so that members of the public can have an additional choice for purchasing fresh food early. We will adopt an innovative concept to construct and operate the Tin Shui Wai temporary market, including the Modular Integrated Construction method to shorten construction time with a view to meeting the target of completion in about one year.

We will continue to maintain liaison with stakeholders and consult the relevant District Councils on the progress of the new market projects as appropriate.

(2) and (3)

Information concerning vacancy rate of the Food and Environmental Hygiene Department ("FEHD") markets in New Territories West and the Islands Districts is provided at Annex 1. As for markets under the Hong Kong Housing Authority ("HA"), there are six markets in New Territories West and Islands Districts directly managed and let to individual stall operators by HA (not including markets rented under single-operator arrangement). The vacancy rate of these markets is at Annex 2. FEHD and HA do not keep consolidated statistical information on the vacancy duration.

- (4) FEHD has introduced a standard clause in all tenancy agreements since 2005, requiring its tenants not to cease or suspend the operation of the stall for seven days or more within one calendar month except with the written permission of the Government.

In addition, to strengthen enforcement actions against the non-active operation of stalls, FEHD has set up additional task force teams to assist in the enforcement and operation work in the district markets. From January 2018 to September 2019, a total of 1 643 verbal warnings and 1 884 warning letters against non-active operation of stalls have been issued, and the tenancy agreements of 61 market stalls have thus been terminated.

According to the tenancy agreements signed between HA and tenants of individual stalls, the tenants should ensure that their business days and hours are in compliance with the tenancy terms. Should there be any breach of the tenancy terms, HA reserves the right to terminate the tenancy.

Estate management staff will carry out regular inspections of the markets to ensure that tenants are in compliance with the requirements of the tenancy agreements. In the past two years, HA did not find any stall not in operation for a prolonged period in the above mentioned six markets which were under HA's direct management.

Annex 1

Vacancy Rate of FEHD Markets in New Territories West
and Islands Districts for the Past Two Years

2018 (As at 31 March)

<i>District</i>	<i>Serial</i>	<i>Name of Market</i>	<i>Number of Stalls</i>	<i>Number of Vacant Stalls</i>	<i>Vacancy Rate⁽¹⁾</i>
Islands	1.	Tai O Market	26	3	12%
	2.	Peng Chau Market	18	0	0%
	3.	Mui Wo Market	35	1	3%
	4.	Cheung Chau Market	240	5	2%
	5.	Mui Wo Cooked Food Market	20	0	0%
	6.	Cheung Chau Cooked Food Market	17	0	0%
New Territories West	7.	Wing Fong Street Market	112	2	2%
	8.	Ka Ting Cooked Food Market ⁽²⁾	15	6	40%
	9.	Tai Yuen Street Cooked Food Market ⁽³⁾	20	14	70%
	10.	Wo Yi Hop Road Cooked Food Market	18	0	0%
	11.	North Kwai Chung Market	222	4	2%
	12.	Cheung Tat Road Cooked Food Market	12	0	0%
	13.	Kwai Shun Street Cooked Food Market	11	1	9%
	14.	Tsing Yi Market	76	1	1%
	15.	Yeung Uk Road Market	318	9	3%
	16.	Heung Che Street Market	225	7	3%
	17.	Chai Wan Kok Cooked Food Market	32	2	6%
	18.	Tsuen Wan Market	381	39	10%
	19.	Sham Tseng Temporary Market	29	3	10%
	20.	Lam Tei Market	7	0	0%
	21.	Hung Cheung Cooked Food Market	11	0	0%

<i>District</i>	<i>Serial</i>	<i>Name of Market</i>	<i>Number of Stalls</i>	<i>Number of Vacant Stalls</i>	<i>Vacancy Rate⁽¹⁾</i>
	22.	Kin Wing Cooked Food Market	17	0	0%
	23.	San Hui Market	324	4	1%
	24.	Yan Oi Market	108	2	2%
	25.	Tsing Yeung Cooked Food Market	18	0	0%
	26.	Kam Tin Market	41	0	0%
	27.	Lau Fau Shan Market	25	3	12%
	28.	Kik Yeung Road Cooked Food Market	14	0	0%
	29.	Tai Kiu Market	379	10	3%
	30.	Tai Tong Road Cooked Food Market	18	0	0%
	31.	Kin Yip Street Cooked Food Market	14	0	0%
	32.	Hung Shui Kiu Temporary Market ⁽⁴⁾	172	43	25%
	33.	Tung Yick Market ⁽⁵⁾	446	263	59%

2019 (As at 31 March)

<i>District</i>	<i>Serial</i>	<i>Name of Market</i>	<i>Number of Stalls</i>	<i>Number of Vacant Stalls</i>	<i>Vacancy Rate⁽¹⁾</i>
Islands	1.	Tai O Market	26	3	12%
	2.	Peng Chau Market	18	0	0%
	3.	Mui Wo Market	35	3	9%
	4.	Cheung Chau Market	243	9	4%
	5.	Mui Wo Cooked Food Market	20	0	0%
	6.	Cheung Chau Cooked Food Market	17	0	0%
New Territories West	7.	Wing Fong Street Market	114	19	17%
	8.	Ka Ting Cooked Food Market ⁽²⁾	15	6	40%
	9.	Wo Yi Hop Road Cooked Food Market	18	0	0%

<i>District</i>	<i>Serial</i>	<i>Name of Market</i>	<i>Number of Stalls</i>	<i>Number of Vacant Stalls</i>	<i>Vacancy Rate⁽¹⁾</i>
	10.	North Kwai Chung Market	222	26	12%
	11.	Cheung Tat Road Cooked Food Market	12	0	0%
	12.	Kwai Shun Street Cooked Food Market	11	1	9%
	13.	Tsing Yi Market	76	1	1%
	14.	Yeung Uk Road Market	318	13	4%
	15.	Heung Che Street Market	225	13	6%
	16.	Chai Wan Kok Cooked Food Market	32	5	16%
	17.	Tsuen Wan Market	381	42	11%
	18.	Sham Tseng Temporary Market	29	3	10%
	19.	Lam Tei Market	7	0	0%
	20.	Hung Cheung Cooked Food Market	11	1	9%
	21.	Kin Wing Cooked Food Market	17	0	0%
	22.	San Hui Market	324	8	2%
	23.	Yan Oi Market	108	7	6%
	24.	Tsing Yeung Cooked Food Market	18	0	0%
	25.	Kam Tin Market	41	0	0%
	26.	Lau Fau Shan Market	25	3	12%
	27.	Kik Yeung Road Cooked Food Market	14	0	0%
	28.	Tai Kiu Market	379	15	4%
	29.	Tai Tong Road Cooked Food Market	18	0	0%
	30.	Kin Yip Street Cooked Food Market	14	0	0%
	31.	Hung Shui Kiu Temporary Market ⁽⁴⁾	172	51	30%
	32.	Tung Yick Market ⁽⁵⁾	446	265	59%

Notes:

- (1) Vacancy rate is the percentage of stalls not leased versus the total number of stalls in a market. FEHD does not keep statistics on the total floor area and "vacant time" of the stalls that had not been let out.
- (2) The vacant stalls of Ka Ting Cooked Food Market are reserved for relocation of the tenants affected by improvement projects.
- (3) Tai Yuen Street Cooked Food Market closed in 2019.
- (4) The vacant stalls of Hung Shui Kiu Temporary Market are frozen for market consolidation.
- (5) Owing to the public safety, the vacant stalls on G/F and 1/F of Tung Yick Market are frozen to facilitate relocation of the tenants affected by the ceiling seepage repair works.

Annex 2

Information on Vacancy of Markets under HA in New Territories West and Islands Districts in the Past Five Years

Year: 2014-2015

<i>Managing Authority</i>	<i>District</i>	<i>Name of Market</i>	<i>Stall</i>				
			<i>(i) Total Number</i>	<i>(ii) Number of Vacancy</i>	<i>(iii) Total Vacant Floor Area⁽⁶⁾ (sq m)</i>	<i>(iv) Vacancy Rate⁽⁷⁾</i>	<i>(v) Existing and Future Use</i>
HA	Kwai Chung and Tsing Yi	Cheung Ching	32	3	30	12.5%	Retail
		Kwai Shing West	46	7	45.5	14.7%	
		Lai King	39	3	16	7.5%	
		Lai Yiu	18	5	56.6	27.1%	
	Tsuen Wan	Cheung Shan	28	6	36	21.4%	
	Tuen Mun	Siu Hong Court	21	2	15.4	7.8%	

Year: 2015-2016

<i>Managing Authority</i>	<i>District</i>	<i>Name of Market</i>	<i>Stall</i>				
			<i>(i) Total Number</i>	<i>(ii) Number of Vacancy</i>	<i>(iii) Total Vacant Floor Area⁽⁶⁾ (sq m)</i>	<i>(iv) Vacancy Rate⁽⁷⁾</i>	<i>(v) Existing and Future Use</i>
HA	Kwai Chung and Tsing Yi	Cheung Ching	32	1	12	5%	Retail
		Kwai Shing West	46	8	51.4	16.6%	
		Lai King	39	2	13.5	6.3%	
		Lai Yiu	18	5	60.3	28.9%	
	Tsuen Wan	Cheung Shan	28	5	30	17.9%	
	Tuen Mun	Siu Hong Court	21	2	15.4	7.8%	

Year: 2016-2017

<i>Managing Authority</i>	<i>District</i>	<i>Name of Market</i>	<i>Stall</i>				
			<i>(i) Total Number</i>	<i>(ii) Number of Vacancy</i>	<i>(iii) Total Vacant Floor Area⁽⁶⁾ (sq m)</i>	<i>(iv) Vacancy Rate⁽⁷⁾</i>	<i>(v) Existing and Future Use</i>
HA	Kwai Chung and Tsing Yi	Cheung Ching	32	1	6	2.5%	Retail
		Kwai Shing West	45	5	32.1	10.5%	
		Lai King	39	2	13.5	6.3%	
		Lai Yiu	18	3	35.3	17%	
	Tsuen Wan	Cheung Shan	28	2	12	7.1%	
	Tuen Mun	Siu Hong Court	21	1	5.9	3%	

Year: 2017-2018

<i>Managing Authority</i>	<i>District</i>	<i>Name of Market</i>	<i>Stall</i>				
			<i>(i) Total Number</i>	<i>(ii) Number of Vacancy</i>	<i>(iii) Total Vacant Floor Area⁽⁶⁾ (sq m)</i>	<i>(iv) Vacancy Rate⁽⁷⁾</i>	<i>(v) Existing and Future Use</i>
HA	Kwai Chung and Tsing Yi	Cheung Ching	32	2	18	7.5%	Retail
		Kwai Shing West	45	4	27.1	8.9%	
		Lai King	39	2	13.5	6.3%	
		Lai Yiu	18	4	42.6	20.4%	
	Tsuen Wan	Cheung Shan	28	1	6	3.6%	
	Tuen Mun	Siu Hong Court	21	3	16.4	8.4%	

Year: 2018-2019

<i>Managing Authority</i>	<i>District</i>	<i>Name of Market</i>	<i>Stall</i>				
			<i>(i) Total Number</i>	<i>(ii) Number of Vacancy</i>	<i>(iii) Total Vacant Floor Area⁽⁶⁾ (sq m)</i>	<i>(iv) Vacancy Rate⁽⁷⁾</i>	<i>(v) Existing and Future Use</i>
HA	Kwai Chung and Tsing Yi	Cheung Ching	32	4	24	10%	Retail
		Kwai Shing West	45	4	27.9	9.1%	
		Lai King	39	3	24.5	11.5%	
		Lai Yiu	18	0	0	0%	
	Tsuen Wan	Cheung Shan	28	0	0	0%	
	Tuen Mun	Siu Hong Court	21	1	6.2	3.2%	

Notes:

(6) The total floor area is calculated based on the internal floor area of the vacant stalls.

(7) The vacancy rate is calculated according to the internal floor area of the units.

Manpower situation of lifeguards

15. **MR VINCENT CHENG** (in Chinese): *President, incidents of temporary closure of the public swimming pools under the Leisure and Cultural Services Department ("LCSD") due to manpower shortage of lifeguards have frequently occurred in recent years. As the swimming season has begun in Hong Kong, some members of the public have expressed grave concern about the services of public swimming pools. In this connection, will the Government inform this Council:*

- (1) of the situation of partial or full closure of the public swimming pool complexes in Kowloon West due to manpower shortage of lifeguards since May this year, with a tabulated breakdown of the relevant details by swimming pool complex and the District Council district to which it belongs (including the parts which were closed);*
- (2) given that the number of days of closure of the Hammer Hill Road Swimming Pool in Kowloon East dropped from 98 days in the year before to nine days last year, while the numbers of days of closure of the Ho Man Tin Swimming Pool, Sham Shui Po Park Swimming Pool, Lei Cheng Uk Swimming Pool and Lai Chi Kok Park Swimming Pool in Kowloon West rose (from four days to 149 days, from 111 days to 206 days, from 129 days to 182 days, and from 73 days to 145 days respectively) in the same period, of the reasons for that;*
- (3) as LCSD has indicated that it will raise the remuneration for seasonal lifeguards to attract eligible persons to join the service, of the details and progress of the implementation of the measure; and*
- (4) of the new measures which have been and will be adopted by the LCSD in this summer to alleviate the problem of manpower shortage of lifeguards?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President, my reply to the various parts of Mr Vincent CHENG's question is as follows:

- (1) The Leisure and Cultural Services Department ("LCSD") currently provides 44 public swimming pools in the 18 districts over the territory. To protect the safety of swimmers, LCSD will take into consideration the usage of swimming pools, swimmer's habits and manpower of lifeguards on duty to partially open swimming pool facilities for use by members of the public, when there are inadequate lifeguards on duty. Generally speaking, major pool facilities, such as main pools and secondary pools will remain open for public use as far as practicable. For the period between 1 May and 30 September 2019, the numbers of days of temporary partial closure of individual public swimming pools in Kowloon West (including Kowloon City District, Sham Shui Po District and Yau Tsim Mong District) due to inadequate lifeguards on duty are at Annex.
- (2) The mobility of seasonal lifeguards is higher than that of civil service lifeguards due to their short-term job nature, where the recruitment effectiveness of seasonal lifeguards is more affected by employment conditions at the time of recruitment when compared to long-term jobs. As the manpower shortfall of seasonal lifeguards in various districts in 2018 was generally higher than that in 2017, there was also an increase in the number of days of partial closure of a number of public swimming pools due to inadequate lifeguards, such as Sham Shui Po Park Swimming Pool, Lei Cheng Uk Swimming Pool and Lai Chi Kok Park Swimming Pool in Sham Shui Po District, and Ho Man Tin Swimming Pool in Kowloon City District, etc. Nevertheless, individual districts faced a relatively modest shortfall of seasonal lifeguards and a slightly better situation (e.g. shortfall of 9 seasonal lifeguards in Wong Tai Sin District in August 2017 as compared to 1 in the same period in 2018). Hence, the number of days of partial closure of Hammer Hill Road Swimming Pool in Wong Tai Sin District due to inadequate lifeguards decreased from 98 in 2017 to only 9 in 2018.

(3) and (4)

To improve the stability of the lifeguard workforce, LCSD was provided with additional resources for creation of 80 civil service lifeguard posts in 2019-2020 to replace 80 seasonal lifeguard posts.

The pertinent recruitment exercise has been completed. In addition to appointing all the 80 newly-created positions, this round of recruitment has also recruited staff to fill 30 civil service lifeguard vacancies anticipated to arise due to natural wastage this year. New recruits have been reporting for duty since April to undergo training and be deployed to perform duties.

Besides, LCSD has also allocated additional resources to launch a pilot scheme in 2019-2020, which aims to recruit 40 NCSC full-year full-time lifeguards this year to form a regional "special support team" to alleviate unforeseen manpower shortages in swimming pools and beaches and the work pressure faced by lifeguards on duty.

At present, civil service lifeguards recruited by LCSD belong to the Artisan grade, with the starting pay point at Master Pay Scale point 5 (currently \$16,790). The Government adjusts the civil service pay scales under the established mechanism to adjust the pay for civil servants (including civil service lifeguards). LCSD has not encountered difficulties in recruiting civil service lifeguards. As regards seasonal lifeguards, in view of the short-term job nature, the mobility of seasonal lifeguards is higher than that of civil service lifeguards, where the recruitment effectiveness of seasonal lifeguards is more affected by employment conditions at the time of recruitment when compared to long-term jobs. Hence, a series of measures have been adopted by LCSD, including stepping up publicity efforts through different channels, e.g. posting of recruitment advertisements on social media websites, holding recruitment days for seasonal lifeguards at swimming pools in different districts to attract local residents to work as lifeguards, as well as adjusting upward the remuneration in terms of salaries and gratuities for seasonal lifeguards as appropriate to attract more eligible applicants to join the service.

In order to maintain the attractiveness of the pay of seasonal lifeguards, LCSD adheres to the principle of keeping the pay of seasonal lifeguards broadly comparable with that of their private sector counterparts. To this end, starting from 2004, reference has been made to the local private employment market in terms of pay

level of lifeguards and other important relevant factors, including the LCSD's fiscal position and the Composite Consumer Price Index in determining the annual pay adjustment for seasonal lifeguards. Details of adjustments to the remuneration are as follows:

- (i) To adjust the end-of-contract gratuity arrangement for seasonal lifeguards to encourage people who had formerly worked as full-time seasonal lifeguards to continue working in LCSD so as to ensure the steady supply of manpower. To this end, full-time seasonal lifeguards who have served in LCSD for at least six months in the swimming season in the previous year and who have completed one single contract of six months or more in the swimming season in the subsequent year (who have behaved and performed satisfactorily during the contract period) will be offered a 15% end-of-contract gratuity for the whole contract period (seasonal lifeguards on satisfactory completion of the initial three-month contract used to be offered a 10% end-of-contract gratuity and a 15% end-of-contract gratuity would be payable starting from the fourth month).
- (ii) To offer an additional monthly payment of \$300 to seasonal lifeguards who have obtained a valid first aid certificate and completed a contract of employment for a specified period so as to attract holders of a valid first aid certificate to become seasonal lifeguards and encourage seasonal lifeguards to enhance their skills.
- (iii) As beaches are generally located in more remote areas, seasonal lifeguards will take a longer commuting time and pay a higher transport fare to work at beaches. As a result, less seasonal lifeguards are willing to work at beaches. In order to attract more qualified persons to work as seasonal lifeguards at beaches, so that those working at beaches will receive \$700 or \$1,000 more than those for swimming pools/water sports centres (depending on the districts).

LCSD will continue recruiting seasonal lifeguards and part-time hourly-rated seasonal lifeguards to fill current lifeguard vacancies.

Annex

Numbers of Days of Partial Closure of Public Swimming Pools in Kowloon West
Due to Inadequate Lifeguards
(May to September 2019)

Some swimming pool facilities will be temporarily partially closed due to inadequate lifeguards on duty. The pool facilities will be re-opened to the public immediately when the manpower of lifeguards returns to normal. For the purpose of calculation, partial closure of facilities of less than one day is counted as one day.

1. Major Pool Facilities

<i>District</i>	<i>Name of Swimming Pool</i>	<i>Facility</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>	<i>September</i>
			<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>
Sham Shui Po	Lai Chi Kok Park Swimming Pool	Main Pool	#	0	0	2	1
		Secondary Pool	#	0	0	1	0
	Lei Cheng Uk Swimming Pool	Main Pool	0	2	9	10	9
		Secondary Pool	0	0	0	1	0
	Sham Shui Po Park Swimming Pool	Main Pool	0	0	0	0	0
		Secondary Pool	0	0	0	0	0
Yau Tsim Mong	Kowloon Park Swimming Pool	Main Pool	0	0	0	0	0
		Secondary Pool	N/A	N/A	N/A	N/A	N/A
	Tai Kok Tsui Swimming Pool	Main Pool	N/A	N/A	N/A	N/A	N/A
		Secondary Pool	N/A	N/A	N/A	N/A	N/A

<i>District</i>	<i>Name of Swimming Pool</i>	<i>Facility</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>	<i>September</i>
			<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>
Kowloon City	Tai Wan Shan Swimming Pool	Main Pool	0	0	0	0	0
		Secondary Pool	0	0	0	0	0
	Ho Man Tin Swimming Pool	Main Pool	N/A	N/A	N/A	N/A	N/A
		Secondary Pool	N/A	N/A	N/A	N/A	N/A
	Kowloon Tsai Swimming Pool	Main Pool	0	0	0	1	0
		Secondary Pool	N/A	N/A	N/A	N/A	N/A

Notes:

The swimming pool facility was closed for annual maintenance.

N/A The facility is not provided in the swimming pool.

2. Minor Pool Facilities^{*}

<i>District</i>	<i>Name of Swimming Pool</i>	<i>Facility</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>	<i>September</i>
			<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>
Sham Shui Po	Lai Chi Kok Park Swimming Pool	Minor pool facilities	0	1-25	0-30	3-31	2-30
	Lei Cheng Uk Swimming Pool	Minor pool facilities	11-31	27-30	31	30-31	24-30
	Sham Shui Po Park Swimming Pool	Minor pool facilities	0-31	17-30	9-31	6-31	1-30
Yau Tsim Mong	Kowloon Park Swimming Pool	Minor pool facilities	0-1	14-29	15-31	16-31	14-30

<i>District</i>	<i>Name of Swimming Pool</i>	<i>Facility</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>	<i>September</i>
			<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>	<i>No. of Days</i>
	Tai Kok Tsui Swimming Pool	Minor pool facilities	0	0	0	0	0
Kowloon City	Tai Wan Shan Swimming Pool	Minor pool facilities	15-31	14-26	10-28	12-29	5-11
	Ho Man Tin Swimming Pool	Minor pool facilities	0-31	0-20	0-25	0-13	0
	Kowloon Tsai Swimming Pool	Minor pool facilities	5	0-6	0-5	0-9	0-10

Note:

- * The figures refer to the numbers of days of temporary closure of some minor pool facilities, such as leisure pool, teaching pool, children pool or diving pool due to inadequate lifeguards on duty, while major pool facilities, such as main pool and secondary pool would remain open for public use as far as practicable.

Recidivism rate of discharged prisoners

16. **MR SHIU KA-CHUN** (in Chinese): *President, recidivism rate means the percentage of re-admission of local persons in custody to correctional institutions following conviction of a new offence within two years after discharge. Regarding the recidivism rates of discharged prisoners, will the Government inform this Council:*

- (1) *of the overall recidivism rate of discharged prisoners in each of the past 10 years, the trend of the year-on-year changes and, among such discharged prisoners, the respective recidivism rates of those who were adults (i.e. aged 21 or above) and young persons (i.e. aged below 21) during their respective previous sentences;*

- (2) *of the recidivism rate, in each of the past 10 years, of those discharged prisoners who had served a sentence of imprisonment for conviction of drug trafficking offences and, among them, the recidivism rate of those who had served a sentence of eight years' imprisonment or above; and*
- (3) *of the Government's new measures in the coming three years to reduce the recidivism rate of discharged prisoners?*

SECRETARY FOR SECURITY (in Chinese): President, the Correctional Services Department ("CSD") is committed to providing a secure, safe, humane, decent and healthy custodial environment for persons in custody, as well as appropriate rehabilitation programmes to facilitate their rehabilitation and reintegration into society after release. CSD has also worked in partnership with various stakeholders to promote the message of supporting offender rehabilitation and to strengthen community education for crime prevention purposes. However, whether persons in custody will reoffend is affected by various factors such as personal, family, peer, social and economic factors.

My reply to the various parts of Mr SHIU's question is as follows:

- (1) Over the last 10 years, the recidivism rate (i.e. the percentage of re-admission of local persons in custody to correctional institutions following conviction of a new offence within two years after discharge), calculated based on the year of discharge, decreased from 34.4% in 2007 to 24.8% in 2016. Details are set out below:

<i>Year of discharge</i>	<i>Recidivism rate of local PICs (%)</i>		
	<i>Young offenders (aged under 21 when serving their previous sentence)</i>	<i>Adult offenders (aged 21 or above when serving their previous sentence)</i>	<i>Total</i>
2007	24.2	35.6	34.4
2008	26.8	35.3	34.3
2009	23.2	34.3	33.0
2010	20.9	32.3	31.0
2011	17.7	30.5	29.2

<i>Year of discharge</i>	<i>Recidivism rate of local PICs (%)</i>		
	<i>Young offenders (aged under 21 when serving their previous sentence)</i>	<i>Adult offenders (aged 21 or above when serving their previous sentence)</i>	<i>Total</i>
2012	15.6	30.5	29.0
2013	13.4	28.6	27.1
2014	12.6	27.2	25.9
2015	11.9	28.3	27.1
2016	10.2	25.7	24.8

- (2) CSD does not have statistical figures on recidivism rate by category of offence.
- (3) One of the strategic focuses set out in the Hong Kong Correctional Services—Strategic Plan published in 2018 is to address the diverse needs of persons in custody and provide appropriate rehabilitation programmes so as to reduce the chance of reoffending, with a view to facilitating their reintegration into the society. Therefore, CSD is committed to strengthening and enhancing current rehabilitation programmes and implementing the following initiatives:
- (i) Regarding psychological services, professional treatment is provided to persons in custody by clinical psychologists to improve their mental wellbeing, facilitate their adjustment to life in correctional institutions, and help them alter their offending behaviour. Comprehensive therapeutic programmes that are tailored to address the specific needs of sex offenders, female and male persons in custody, young offenders, and inmates of Drug Addiction Treatment Centres ("DATCs") are also provided. For example:
- (a) Sex offenders will be assigned to the Sex Offenders Evaluation and Treatment Unit for systematic assessment on their reoffending risks and psychological treatment that addresses their individual needs, so as to help them rehabilitate;

- (b) Since the establishment of Psy Gym, which caters for female persons in custody who are assessed to have high risk of reoffending or in need of treatment for their developmental and emotional issues, at Lo Wu Correctional Institution in 2011, CSD has been providing treatment to those who are psychologically disturbed (including trauma after abuse, self-harm tendency, interpersonal and mental health issues etc.) in a therapeutic setting. As male persons in custody have needs that are different from female, a pilot treatment programme called Life Gym—a positive living centre for male persons in custody, was launched at Stanley Prison in November 2018 to provide treatment to address the needs of male persons in custody. The Life Gym also provides self-help groups where the participants can support and encourage each other, thereby assisting them in bringing out their unique qualities and staying away from crime;
- (c) As regards drug addiction treatment programmes, in addition to mandatory drug addiction treatment, CSD has explored in recent years the introduction of the element of mindfulness to treatment programmes for female drug abusers. In 2017, a "Mindfulness Corner", which integrated for the first time the clinical use of mindfulness into psychological treatment programme, was set up at Nei Kwu Correctional Institution. CSD plans to roll out a similar programme in DATC for male inmates at the end of this year; and
- (d) To nurture positive thinking among young persons in custody and lower their chance of reoffending, CSD provides appropriate and timely intervention, including a systematic treatment programme named "Offending Behaviour Programme" which targets at reducing criminogenic factors related to offending; and the "Heart Start for Young Offenders" which encourages parents' participation in the rehabilitation of young persons in custody and addresses the psychological needs of nowadays families and young persons in custody.

- (ii) Given the crucial importance of family support to young persons in custody's rehabilitation, CSD has been organizing a series of activities under the "Inmate-Parent Programme" and other specialized inmate-parent activities based on the vocation training courses provided at various correctional institutions. Furthermore, CSD plans to promote adult persons in custody's rehabilitation by enhancing support from their family and will launch the "Rehabilitation Family Programme" ("RFP"). Through various activities, talks and sharing sessions, RFP is expected to help the participants connect with their family and improve their communication, so as to bolster their determination to start anew.
- (iii) For the purpose of nurturing persons in custody's character and enhancing their employability, CSD offers assistance to adult persons in custody who wish to pursue further studies on a voluntary basis and provides market-oriented courses to strengthen their resilience and positive values, thereby assisting them to reintegrate into the society. Relevant measures are as follows:
 - (a) CSD provides half-day formal education to young persons in custody aged between 14 and 20, and encourages adult persons in custody to pursue further studies, enrolling in distance learning courses in their spare time according to their interests and abilities and taking public examinations under the users-pay principle. Correctional institutions provide appropriate assistance to persons in custody. For example, CSD has set up a number of education funds and subsidy schemes for persons in custody to apply for financial assistance if they want to pursue further studies but have difficulties in paying for public examination fees, tuition fees of distance learning programmes, books and educational aids;
 - (b) CSD will continue to implement Science, Technology, Engineering and Mathematics (STEM) education and organize relevant educational activities in institutions for young persons in custody. Similar programmes in

the form of small interest groups will be extended to correctional institutions accommodating adult persons in custody to develop their creativity, coordination and problem-solving skills, and to equip them with knowledge for adjusting to the pace of society after their release;

- (c) In respect of vocational training, having regard to the situation of the local employment market, CSD has been collaborating with the Employees Retraining Board, the Construction Industry Council and the Vocational Training Council etc. to provide over 40 vocational training programmes to eligible adult persons in custody due for discharge within 3 to 24 months. Courses offered in recent years include Floor Layering for Interior Renovation and AutoCAD in Renovation Drawings Certificate Courses. Among the new courses being offered in 2019-2020, the Virtual Reality technology has been adopted, including Virtual Reality Welding and Virtual Reality Visual Merchandising and Retail Management. All courses are organized by accredited training bodies eligible to issue accredited qualification to those who have completed the courses. While 40% of the courses are recognized under the qualification framework, the remaining programmes are well regarded in the market; and
 - (d) CSD also provides 20 half-day vocational training courses for all young persons in custody covering construction, business, service industries, including business fundamentals, mechanical handicraft, café management (including technique in latte art), and catering service in western cuisine.
- (iv) To help persons in custody reset their targets in life and encourage them to establish their own business after release, CSD has been collaborating with the Merchants Support for Rehabilitated Offenders Committee Limited and Evangelical Lutheran Church of Hong Kong Youth Career Development Service to launch a pilot scheme entitled "Prisoner

Entrepreneurship Pilot Programme" in March 2019. The scheme is on trial at Stanley Prison, which aims at providing life planning, career development and entrepreneurship courses etc. for persons in custody, so as to help them set business goals prior to their release. The scheme will be adopted in other correctional institutions if the results are satisfactory.

In order to review and enhance the effectiveness of existing rehabilitation programmes and also to position future development, with a view to lowering recidivism rates, CSD has been proactively collaborating with local universities and launched a three-year longitudinal study on rehabilitated persons in July 2018, to follow selected rehabilitated persons for three years after their release and examine in depth their needs.

Law enforcement by police officers

17. **MR CHARLES PETER MOK** (in Chinese): *President, Article 28 of the Basic Law provides that the freedom of the person of Hong Kong residents shall be inviolable, which includes the prohibition of arbitrary or unlawful search of the body of any resident or deprivation or restriction of the freedom of the person. However, it has been reported that on the night of 11 June this year, police officers conducted stop-and-searches on a large number of members of the public in the vicinity of Admiralty (including inside the MTR station and on the streets near the Legislative Council Complex), without telling such members of the public the offences which they were suspected of having committed or of being about to commit or of intending to commit, as well as the relevant justifications. Some members of the legal sector have pointed out that under the common law system, police officers, when conducting stop-and-searches on members of the public, must not merely claim to have reasonable suspicion, but instead must explain the substantive grounds for the necessity of the stop-and-search. A judgment handed down by the court has pointed out that the reasonableness of any suspicion that a police officer has against a person must be determined by reference to the objective facts at the material time and must be supported by relevant evidence. Moreover, the code of practice for police officers in the United Kingdom provides that reasonable suspicion can never be supported on the basis of a person's physical characteristics (e.g. age), but instead must be on the basis of the intelligence about and description of the suspected person which the police officer has obtained. On the other hand, in*

the course of covering news in the vicinity of Admiralty from 10 to 12 June, some reporters were stopped and searched as well as rudely driven away by police officers, resulting in their news covering work being hindered. Regarding the law enforcement by police officers, will the Government inform this Council:

- (1) of the number of members of the public who were stopped and searched by police officers in Admiralty on the night of 11 June, and the justifications for such acts;*
- (2) of the offences that such members of the public were suspected of having committed or of being about to commit or of intending to commit, on the basis of which the police officers had conducted the stop-and-searches on them, as well as the objective criteria and relevant evidence giving rise to the police officers' suspicion and substantiating the reasonableness of their suspicion;*
- (3) of the number of reporters who were stopped and searched by police officers from 10 to 12 June, and the offences, which provided the basis for such acts, that they were suspected of having committed or of being about to commit or of intending to commit; the measures put in place to ensure that police officers, when performing duties, will not pose threats to the personal safety of reporters discharging duties of covering news; and*
- (4) whether it has assessed if the police officers in the aforesaid operations, by conducting stop-and-searches without providing any evidence to substantiate the reasonableness of their suspicion, contravened Article 28 of the Basic Law and acted beyond the power vested in police officers to stop, detain and search a person under section 54(2) of the Police Force Ordinance (Cap. 232)?*

SECRETARY FOR SECURITY (in Chinese): President, the Police have a statutory duty to maintain public safety and public order. Section 54 of the Police Force Ordinance (Cap. 232) provides that if a police officer finds any person in any street or other public place acts in a suspicious manner, or whom he reasonably suspects of having committed or of being about to commit or of intending to commit any offence, he is empowered to stop the person for demanding him to produce proof of identity for inspection.

Police officers may also, by virtue of the power vested under section 17C of the Immigration Ordinance (Cap. 115), demand members of the public to produce proof of identity for inspection. Under individual legislation such as the Public Order Ordinance (Cap. 245), the Dangerous Drugs Ordinance (Cap. 134), the Weapons Ordinance (Cap. 217) and the Firearms and Ammunition Ordinance (Cap. 238), police officers are authorized to conduct stop-and-search. By means of the stop-and-search actions, the Police can discharge their statutory functions more effectively, particularly in the prevention and detection of crimes and offences, as well as in the prevention of damage to life and property. Police will always ensure that the stop-and-search actions are entirely lawful, necessary and appropriate.

Our reply to Mr MOK's question is as follows:

(1) to (3)

Reasonable suspicion means sensible or logical suspicion after assessment by normal persons under normal circumstances. Generally speaking, police officers will, during patrols or operations, observe how people act, what they wear, their personal belongings and their behaviour. Taking into account the observation made, the prevailing situation and circumstances at the scene and a comprehensive consideration of factors such as the understanding of the district concerned, its crime trends and the intelligence gathered, police officers will make an assessment to identify suspicious persons or those arousing reasonable suspicion (that they have committed, are about to commit or intend to commit any offence). Police officers will then conduct stop-and-search actions at an appropriate juncture for effective prevention and detection of crimes.

In the night on 11 June, a large-scale public assembly held in Admiralty and its vicinity drew a large crowd. On the day before (i.e. in the small hours of 10 June), the Police seized dangerous items such as scissors, cutters, multi-purpose knives, blades and lighters at an unlawful gathering near the Legislative Council Complex. As such, the public assembly held from the night of 11 June to 12 June was assessed to be of relatively high security risk. The Police have the responsibility to take appropriate actions, including stopping suspicious persons for questioning or search, to ensure public order and public safety. Stop-and-search actions were conducted based

on police officers' judgment of the prevailing situation and circumstances at the scene, and was not targeting people of specific categories or occupation.

The Police respect press freedom and the media's right of reporting, and will endeavour to facilitate media reporting and maintain effective communication and cooperation with the media. On the condition of not affecting operations, the Police have all along been facilitating media reporting as far as possible. The Police have the statutory duty to maintain law and order, public safety and public order, etc. These are responsibilities that the Police are legally required to carry out. Both the press and the Police have their respective responsibilities. It would be beneficial to both sides if the press and the Police could have better mutual understanding.

The Police have formulated relevant guidelines for officers to identify and verify the identity of media practitioners during public order events or other police operations by proof of identity or documents issued by media organizations or associations. When covering public order events, media practitioners should bring along proof of identity of reporters or testimonials issued by their companies and may wear easily recognizable clothing and armbands for easy identification by police officers at the scene.

To further enhance communication and cooperation with the media, the Police officially established the Force Media Liaison Cadre in December 2015. When necessary, the Police will deploy Cadre members to the scene of public order events or other police operations to provide facilitation and assistance to media practitioners covering the events at the scene.

In any large-scale public order event, the Police will, in light of its development, disseminate timely messages to the public through various media to remind them to pay attention to personal safety and enhance their awareness of self-protection. Members of the public (including media practitioners) should comply with the instructions of police officers at the scene.

The Police do not maintain the stop-and-search figures sought in the question.

- (4) The Police's stop and search actions are conducted in accordance with the aforementioned ordinances. Any affected person who is dissatisfied with the Police may lodge a complaint under the complaints against police mechanism. The mechanism is a well-established two-tier statutory mechanism, with the first tier being the Complaints Against Police Office ("CAPO") which receives and investigates into complaints. The second tier is the Independent Police Complaints Council ("IPCC") which is a statutory body. The two-tier complaints handling mechanism operates effectively under the Independent Police Complaints Council Ordinance (Cap. 604), which provides a clear legal basis to ensure that complaints against the Police will be handled in a fair and just manner.

IPCC has decided to conduct a study with regard to the major public order events which took place since 9 June 2019 and the corresponding operations of the Police, and will make public its work progress by phase. IPCC will, as far as it is practicable to do so, strive to publish its first phase report regarding the large-scale public order events which took place between 9 June and 2 July within six months. It will submit the report to the Chief Executive and make public the details. IPCC has set up a special task force and opened multiple channels, including a dedicated email portal and a hotline, to allow stakeholders and the public to provide information, thereby providing full background and basis for the subsequent review of complaints. IPCC has also set up an International Expert Panel. The Expert Panel will provide international experience and advice for IPCC's study on police practices and procedures arising from the recent public order events in Hong Kong. The Government attaches great importance to IPCC's study and will carefully study and follow up the recommendations made in IPCC's reports.

Besides, CAPO of the Police has set up a designated team to handle the relevant complaints. To ensure that the complaints are handled fairly and impartially, all members of the team did not participate in relevant operations of the public order events concerned.

CAPO has received 27 complaints referred by the Hong Kong Journalists Association in relation to the operations on 12 June. The complaints are being followed up by CAPO. CAPO will submit reports to IPCC upon completing the investigation. We will not comment on individual cases.

Maintaining the integrity of the listing process

18. **MR KENNETH LEUNG:** *President, it has been reported that a former senior executive of the Stock Exchange of Hong Kong Limited ("SEHK") was suspected of having accepted bribes as rewards for improperly facilitating the approval of at least 30 applications for listing in Hong Kong. In this connection, will the Government inform this Council:*

- (1) whether at present any remedial action (e.g. delisting) may be taken to deal with the listing of companies whose listing has been found to have been approved improperly, and how the interests of investors will be protected when such action is taken;*
- (2) whether, in the light of the aforesaid case, the authorities have reviewed the effectiveness of the current laws and Listing Rules in guarding against the conflict of interests which may arise from SEHK's dual roles as a commercial entity and a public body (which has the responsibilities to maintain the integrity of the listing process and to protect the interests of investors); if so, of the details; if not, the reasons for that; and*
- (3) whether the authorities have reviewed the mechanism adopted by SEHK for vetting and approving listing applications, with a view to ensuring a proper segregation of duties so as to prevent the existence of corruption opportunities for individual staff members of SEHK, which may lead to improper approval of listing applications; if so, of the details; if not, the reasons for that?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY:
President, with regard to media enquiries about a case of suspected corruption and misconduct in public office in relation to the vetting of listing applications,

the Independent Commission Against Corruption and the Securities and Futures Commission ("SFC") issued their respective press releases on 26 June. The Government will not comment on the case at this stage. Regarding the overall listing regime in Hong Kong, my response to the three parts of the question is as follows:

- (1) We have a comprehensive regime which regulates the listing arrangements and operations in Hong Kong through the Securities and Futures Ordinance as well as the Listing Rules. If the allegation of improper approval of the listing status of a company is substantiated, and depending on the actual circumstances (including the culpability and location of those managing it, as well as the solvency and viability of the companies concerned), SFC and the Stock Exchange of Hong Kong Limited ("SEHK") will handle the matter (including possibly taking appropriate remedial measures) in accordance with the provisions of the Securities and Futures Ordinance and its subsidiary legislation, including the Securities and Futures (Stock Market Listing) Rules, as well as the Listing Rules. According to the Securities and Futures (Stock Market Listing) Rules, SFC has the statutory power to take different actions, including directing the recognized exchange company to suspend all dealings in any specified securities or objecting to the listing of securities of a company under certain statutory conditions.

(2) and (3)

As the statutory regulator of Hong Kong's securities market, SFC supervises, monitors and regulates the operation of the Hong Kong Exchanges and Clearing Limited and SEHK in accordance with the Securities and Futures Ordinance. As mentioned by SFC in its press release on 26 June, SFC is conducting a specific review of the manner in which SEHK has administered or dealt with listing and other matters. SFC has no further information to provide at this stage. SFC will continue to review the existing listing regime to ensure that the regime is robust and to avoid any possible conflict of interests.

The manner in which the demonstration on 12 June of this year was handled

19. **MR ANDREW WAN** (in Chinese): *President, on 12 June of this year, a large-scale demonstration occurred in Admiralty and its vicinity. Some members of the public have complained that police officers regarded members of the public who peacefully participated in the demonstration and reporters as terrorists, and used unnecessary force against them, e.g. shooting bean bag rounds and rubber bullets aiming at the heads of unarmed members of the public and reporters at a close range, and surrounding and beating unresisting members of the public with batons. Moreover, some police officers hurled abuse at reporters who had already identified themselves, and even verbally provoked members of the public in a blatant manner. In this connection, will the Government inform this Council:*

- (1) of the legal basis on which the Commissioner of Police determined that the aforesaid demonstration was a riot in nature, and the procedure followed by him in doing so; whether other senior personnel of the Hong Kong Police Force ("HKPF") or other government officials were involved in making such decision; if so, of the details;*
- (2) whether the Chief Executive ("CE") or other government officials have the statutory power to rescind the decision mentioned in (1); if so, of the details, and whether CE or the relevant officials have considered exercising that power to rescind the decision;*
- (3) of the highest rank of the persons who ordered or approved the use of tear gas rounds and the shooting of rubber bullets and bean bag rounds by police officers in the aforesaid incident and the basis on which they made such decisions, as well as whether they included CE or any government officials not belonging to HKPF;*
- (4) whether the Police will remove from frontline posts those police officers against whom complaints were lodged that they had used unnecessary force against reporters and members of the public in the aforesaid demonstration, so as to minimize the unnecessary clashes they may have with members of the public when discharging duties; and*

- (5) *whether the Government will (i) invite the Independent Police Complaints Council to send its personnel to the front line to monitor the Police's law enforcement when handling large-scale demonstrations in future, and (ii) set up a committee in the near future to investigate if the law enforcement actions taken by the police officers in the aforesaid incident were in any way inappropriate?*

SECRETARY FOR SECURITY (in Chinese): President, at around 8:00 am of 12 June, a large number of people in mask and protective gear rushed out to Lung Wo Road, Tim Mei Avenue, Queensway and Harcourt Road in an organized manner, seriously blocking the traffic and disrupting social order. Some people even did threatening and provoking acts. A police vehicle and the cars of some citizens were trapped in the tunnel at Lung Wo Road, warranting the deployment of Police Negotiators to negotiate with the protestors. Police officers and citizens were thus trapped inside the tunnel for nearly eight hours, with their personal freedom seriously impeded. The unlawful disruption of traffic and blockage of roads paralysed the traffic in the vicinity of Lung Wo Road and Harcourt Road. Notwithstanding this, the Police had acted with tolerance.

Around 3:00 pm, the situation began to deteriorate at the Legislative Council Complex. A large group of extremely violent protestors charged police cordon lines with various weapons such as bricks, metal poles, mills barriers, wooden planks, etc. The police cordon line was set up there mainly to protect the Legislative Council Complex and the people inside. Such violent charging posed not only serious threat to the personal safety of people at the scene (including other citizens, media practitioners and police officers on duty), but also to public safety and public order. In light of the circumstances at the scene, the Police withdrew the cordon line to the demonstration area at the entrance of the Legislative Council Complex and continued to protect the Legislative Council Complex and the persons thereat.

After repeated appeals and warnings which were in vain, the field commander, having regard to the actual circumstances at the scene, the overall situation and operational needs, had no choice but decided to use minimum force to disperse the crowd and control the scene in order to prevent public safety and public order from being further endangered, and to protect the safety of others and police officers.

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

(1) and (2)

The Government of the Hong Kong Special Administrative Region has never defined the incident that occurred in the vicinity of Admiralty on 12 June as "riot". The Government has explained many times that the Commissioner of Police used the term "riot" to describe the acts of using self-made weapons to attack police offices at the front of the Legislative Council demonstration area in the afternoon of 12 June. In fact, the description of an event will not affect subsequent prosecution work. The prosecutorial duties in Hong Kong are discharged by the Department of Justice ("DoJ") independently in accordance with the Basic Law, free from interference by anyone. DoJ have all along been making prosecutorial decision of each case based on the evidence, applicable laws and the Prosecution Code. Unless there is sufficient admissible evidence to support a reasonable prospect of conviction, no prosecution should be instigated by DoJ.

(3) The Police have a statutory duty to maintain public safety and public order. When situations such as illegal blockage of roads, paralysation of traffic, unlawful assembly and violent charging of police cordon lines occur, seriously threatening public order and public safety, the Police will, after making risk assessment, take appropriate actions to ensure public safety and public order.

The Police have stringent guidelines in the use of force. Police officers may use minimum force as appropriate only when such an action is necessary and there are no other means to accomplish the lawful duty. Police officers shall, where circumstances permit, give warnings prior to the use of force, and give the person(s) involved every opportunity, whenever practicable, to obey police orders before force is used.

During the operation on 12 June, some protestors at the front charged towards the Police cordon line and attacked Police using violence. These actions were dangerous and even fatal, threatening the lives and safety of the people at the scene. In view of the prevailing circumstances, the field commander of the Police decided

to use necessary force according to his professional judgment to disperse the crowd and control the situation with the aid of appropriate equipment. During the operation, equipment used by the Police included batons, pepper sprays, tear sprays, bean bag rounds, rubber bullets and tear gases, etc. All these are non-lethal weapons comparable to those used by the enforcement agencies of overseas countries in dealing with similar violent situations.

(4) and (5)

There is a well-established two-tier statutory complaints against police mechanism. The first tier of the mechanism is the Complaints Against Police Office ("CAPO") of the Police which receives and investigates into complaints. The second tier is the Independent Police Complaints Council ("IPCC") which is a statutory body. The two-tier complaint mechanism has been operating effectively under the Independent Police Complaints Council Ordinance (Cap. 604) which has a clear legal basis, thereby ensuring that each and every complaint against the Police will be handled in a fair and just manner.

IPCC has decided to conduct a study with regard to the major public order events which took place since 9 June 2019 and the corresponding operations of the Police, and will make public its work progress by phase. IPCC will, as far as it is practicable to do so, strive to publish its first phase report regarding the large-scale public order events which took place between 9 June and 2 July within six months. It will submit the report to the Chief Executive and make public the details. IPCC has set up a special task force and opened multiple channels, including a dedicated email portal and a hotline, to allow stakeholders and the public to provide information, thereby providing full background and basis for the subsequent review of complaints. IPCC has also set up an International Expert Panel. The Expert Panel will provide international experience and advice for IPCC's study on Police practices and procedures arising from the recent public order events in Hong Kong. The Government attaches great importance to IPCC's study and will carefully study and follow up the recommendations made in IPCC's reports.

Besides, CAPO of the Police has set up a designated team to handle the relevant complaints. To ensure that the complaints are handled fairly and impartially, all members of the team did not participate in relevant operations of the public order events concerned.

As at 14 October, CAPO received 813 complaints relating to the public order events concerned.

As regards whether police officers against whom complaints were lodged will be removed from frontline posts, this will depend on the nature and seriousness of the complaints, the investigation result and the operational needs of the Police, etc. The Police will handle such matters in accordance with the established mechanism. As the complaints are currently being followed up by CAPO, Police will not comment on individual cases.

In line with their past practice in handling large-scale operations, the Police will conduct an after-action review. To facilitate IPCC in monitoring the Police's arrangement of procession at the front line, CAPO has always invited IPCC Members to conduct field study at the demonstration on 1 July.

Innovation, technology and re-industrialization

20. **MR WU CHI-WAI** (in Chinese): *President, in recent years, the Government has been vigorously promoting scientific researches and the development of innovation and technology ("I&T"), and has set up the Committee on Innovation, Technology and Re industrialisation ("the Committee") to advise the Government on matters relating to the promotion of I&T development and re industrialization in Hong Kong. However, there are views that the percentage of value added of the manufacturing industry in the gross domestic product ("GDP") has remained at a level below 1.5%, without showing any upward trend. Besides, although the Government has launched the Re-industrialisation Funding Scheme to subsidize manufacturers on a matching basis to set up smart production lines in Hong Kong, specific and targeted measures are lacking, thus failing to attract factory operators to relocate their factories on the Mainland to Hong Kong. In this connection, will the Government inform this Council:*

- (1) *of the respective total values of the exports and re-exports as well as their global rankings, in each year since 1970, in respect of the following types of goods: (i) textiles, (ii) articles of apparel, (iii) toys, (iv) electronic products, (v) watches and clocks, (vi) electrical equipment, (vii) footwear, (viii) bijouterie and precious stones-related articles, and (ix) artificial flowers;*
- (2) *of the respective total values of production of (i) the Hong Kong Science Park ("HKSP"), (ii) the various industrial estates under HKSP, and (iii) each industry operating inside the various industrial estates, in each of the past 10 years;*
- (3) *of the number of recommendations put forward to the Government by the Committee since its establishment, the number of recommendations accepted, and the details of each recommendation;*
- (4) *of the government department that is currently responsible for formulating policies on attracting factory operators to relocate their factories on the Mainland to Hong Kong, and the specific measures formulated by that department in this regard; and*
- (5) *whether it has drawn up indicators (e.g. the economic benefits brought about by every \$100 of subsidy, and the percentage of value added of the manufacturing industry in GDP) for evaluation of the effectiveness of the measures relating to re-industrialization?*

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Chinese):

President, the application of innovation and technology ("I&T") covers various sectors and industries, and is capable of enhancing Hong Kong's competitiveness and driving a diversified economy. The Government, through encouraging research and development ("R&D") and applying innovative technologies, seeks to inject new impetus into traditional industries and opens up development opportunities for high-end manufacturing industries. To this end, the Government actively promotes "re-industrialisation" in recent years. Our purpose is not to return traditional land and labour intensive manufacturing industries to Hong Kong, but rather to develop advanced manufacturing

industries that are based on new technologies and smart production and do not require much land and labour, so as to identify new growth points for Hong Kong's economic development.

Our reply to the various parts of the question is as follows:

- (1) According to the information provided by the Census and Statistics Department ("C&SD"), the values of textiles, articles of apparel, toys, electronic products and electrical equipment, watches and clocks, footwear, bijouterie and precious stones-related articles and artificial flowers exported from and re-exported through Hong Kong each year since 1993 are at Annexes 1 and 2 respectively. C&SD does not maintain figures on relevant types of goods for 1992 or before.

Hong Kong's rankings in world merchandise trade in terms of annual aggregate values of exports (including exports and re-exports) from 1993 to 2018 are at Annex 3. C&SD does not have information about the global rankings in terms of exports or re-exports values of individual types of commodities.

- (2) To promote I&T development in Hong Kong, the Hong Kong Science and Technology Parks Corporation ("HKSTPC") has been providing infrastructure, various professional and financial support, as well as organizing different activities to incubate technology start-ups and assist technology companies. The effectiveness of HKSTPC's work is reflected by a number of indicators, including the number of companies, working population, fund raised, etc. The latest figures provided by HKSTPC are set out in the table below:

<i>Hong Kong Science Park ("Science Park")</i>	
Number of companies	749
Working population	12 286
Number of R&D workers	8 564
Number of graduates of the Incubation Programmes	660
Total amount of fund raised by Science Park's tenants in 2018-2019	\$18 billion
<i>Industrial Estates</i>	
Number of companies	138

HKSTPC has not collated statistics on the value added of the Science Park and Industrial Estates. That said, projecting from the economic impact assessment prepared by the consultant commissioned by HKSTPC in 2015, upon completion and achieving full occupancy of Stage 1 of Science Park Expansion Programme, the economic contribution of Science Park to Hong Kong as a whole is approximately \$20 billion per annum (in 2017 prices), creating about 17 200 jobs in the Park.

- (3) The Committee on Innovation, Technology and Re-industrialisation ("the Committee") has, since its establishment in April 2017, discussed and advised the Government on over 20 agenda items covering various I&T-related issues such as establishment of research clusters, promotion of "re-industrialisation", enhanced tax deduction for R&D expenditure, attracting overseas R&D institutions to Hong Kong, research work in the higher education sector, nurturing I&T talent, the Technology Talent Admission Scheme, the Talent List, supporting the development of start-ups in Hong Kong, the Smart City Blueprint for Hong Kong, the open data policy, the Government's pro-innovation procurement policy, development of the e-sports industry and electronic payment, etc. The Government has made reference to members' views in devising and implementing relevant policies.

- (4) and (5)

According to the Commerce and Economic Development Bureau, Hong Kong has all along been following the economic policies of free enterprise and free trade. The Government's policy on supporting industry is to create a business-friendly environment for the trade and provide them with appropriate support so that they can flourish. Some enterprises, especially those engaging in high-end manufacturing, are well-positioned to consider performing some high value-added production processes in Hong Kong that require not much land and labour. All Hong Kong enterprises, including those interested in relocating their operations back to Hong Kong, can receive support through the support schemes under various government departments and quasi-government organizations, such as the SME Loan Guarantee Scheme, the SME Export Marketing Fund, the Trade and Industrial Organisation Support Fund, and the

Dedicated Fund on Branding, Upgrading and Domestic Sales administered by the Trade and Industry Department, as well as the special concessionary measures under the SME Financing Guarantee Scheme operated by the HKMC Insurance Limited, in obtaining finance, exploring export markets and enhancing overall competitiveness of individual sectors.

To promote "re-industrialisation" and encourage the development of advanced manufacturing industries that are based on new technologies and smart production in Hong Kong, the Government has been providing support from the perspectives of infrastructure, finance, technology and talent.

In terms of infrastructure, through the HKSTPC, the Government provides the necessary infrastructure and facilities for fostering industrial R&D and advanced manufacturing. HKSTPC refurbished a factory in the Tai Po IE into the Precision Manufacturing Centre ("PMC") in March 2017 with a view to fostering high technology smart production. PMC has been fully occupied by a number of tenant enterprises. HKSTPC is also developing a Data Technology Hub and an Advanced Manufacturing Centre ("AMC") in the Tseung Kwan O IE to foster smart production and advanced assembly of high value-added manufacturing industries. HKSTPC invited tenders for tenancy of AMC in April this year, and has received a good number of applications for admission, reflecting positive response from the industry. This reflects that there is certain demand for local production facilities from the manufacturing sector.

In terms of finance, the Government, through the Innovation and Technology Fund ("ITF"), provides financial support for local R&D work and finance projects that can contribute to the technological upgrading of industries and promotion of innovation, thereby promoting "re-industrialisation". Relevant funding schemes include the Innovation and Technology Support Programme, Partnership Research Programme and Enterprise Support Scheme, etc. HKSTPC will also designate part of the Government's \$10 billion allocation to offer incentives for advanced manufacturers to set up operations in the IEs.

In terms of technology, the Hong Kong Productivity Council ("HKPC") has been assisting enterprises to move towards high value-added production and gradually upgrade to "Industry 4.0". For example, it has set up the "Invention Centre Hong Kong" in collaboration with the Fraunhofer Institute of Germany to support Hong Kong enterprises in adopting innovative industrial technologies. Also, the five R&D Centres established by the Government have also been actively engaging in R&D related to "re-industrialisation" in recent years, covering various areas such as big data, Internet of Things, robotics technology, new materials, smart mobility, environmental technology, etc., assisting the industry to capture and capitalize on business opportunities.

In terms of talent, the Innovation and Technology Commission rolled out in August 2018 the Re-industrialization and Technology Training Programme under the ITF to subsidize local enterprises on a 2 (government):1 (enterprise) matching basis to train their staff in high end technologies, especially those relating to "Industry 4.0". In addition, the HKPC, together with the Vocational Training Council and the Fraunhofer Institute for Production Technology of Germany, launched in March 2018 the first "Industry 4.0" professional diploma programme in Hong Kong to strengthen training of industry practitioners in "Industry 4.0"-related skills.

To further promote "re-industrialisation", the Government plans to establish a \$2 billion Re-industrialisation Funding Scheme to subsidize manufacturers, on a matching basis, to set up smart production lines in Hong Kong, and allocate another \$2 billion to HKSTPC for converting an old factory in the Yuen Long IE into the Microelectronics Centre to satisfy the demand of the industry. The relevant proposals have obtained the support from the Panel on Commerce and Industry of the Legislative Council. The Government will seek funding approval from the Legislative Council Finance Committee within this legislative year, with a view to launching the measures as soon as possible.

We will evaluate the effectiveness and benefits of the new initiatives when we take forward the proposals. For instance, the proposed Microelectronics Centre to be set up can help to meet the industry's

demand for advanced manufacturing facilities in the near term. It is estimated that the Centre may create about 420 direct job opportunities and generate a value added of over \$600 million annually.

Annex 1

The value of Hong Kong's exports of goods

<i>Types of goods</i> <i>Year</i>	<i>Value (HK\$ thousand)</i>							
	<i>Textiles</i>	<i>Articles of apparel</i>	<i>Toys</i>	<i>Electronic products and electrical equipment</i>	<i>Watches and clocks</i>	<i>Footwear</i>	<i>Bijouterie and precious stones-related articles</i>	<i>Artificial flowers</i>
1993	16,180,118	71,857,106	3,036,499	55,098,290	13,160,967	300,266	5,302,561	173,836
1994	15,037,953	73,085,813	2,478,306	56,021,633	13,195,957	228,242	5,228,573	165,006
1995	14,029,727	73,801,108	2,419,988	62,518,749	13,620,149	96,593	5,711,455	158,646
1996	13,692,590	69,446,997	1,609,867	53,799,160	11,987,115	50,926	5,776,872	111,629
1997	12,654,632	72,228,222	1,756,528	54,757,224	10,798,371	42,053	5,333,449	111,144
1998	10,767,066	74,874,280	1,111,659	44,038,384	8,936,848	24,876	4,770,357	77,424
1999	9,488,481	74,250,866	591,354	37,991,012	5,040,095	43,949	5,042,294	24,832
2000	9,163,905	77,415,204	535,342	41,930,119	3,011,634	76,706	5,721,315	40,368
2001	8,193,246	72,240,206	487,215	31,583,788	2,353,958	96,505	4,736,245	42,341
2002	7,645,435	65,038,689	319,526	22,832,093	1,163,582	77,275	5,155,369	24,943
2003	5,898,470	63,880,048	218,165	16,093,262	850,295	87,857	5,379,298	3,751
2004	5,324,907	63,391,902	188,729	18,795,721	763,311	93,167	5,879,563	2,274
2005	4,695,437	56,240,198	176,591	33,333,338	700,380	38,958	6,642,038	1,008
2006	4,119,978	52,233,058	218,690	33,891,931	562,199	57,292	7,375,495	521
2007	3,607,781	38,888,834	186,016	18,858,149	493,005	26,806	8,704,481	734
2008	3,087,436	22,325,808	172,977	17,439,203	444,248	4,258	8,978,242	312
2009	2,170,933	4,480,324	136,628	14,058,442	338,931	5,251	5,883,713	499
2010	1,953,039	3,239,979	177,546	16,514,961	280,077	5,026	7,339,918	303
2011	1,576,238	2,787,506	288,483	8,962,534	228,433	1,841	8,509,048	252
2012	1,440,640	1,985,961	274,263	6,921,060	294,272	2,811	8,865,734	336
2013	1,246,826	1,659,171	306,603	4,771,401	743,297	4,127	8,470,155	153
2014	851,279	1,390,908	353,569	3,574,318	908,532	1,679	7,648,807	48
2015	597,714	878,530	269,541	3,324,218	670,983	5,624	6,866,010	61
2016	564,911	524,716	182,302	3,099,855	181,874	990	6,072,503	37
2017	605,687	318,199	124,758	2,571,360	176,765	1,168	6,996,909	46
2018	623,972	286,916	80,884	1,760,704	592,304	879	7,708,536	56

Annex 2

The value of Hong Kong's re-exports of goods

<i>Types of goods</i> <i>Year</i>	<i>Value (HK\$ thousand)</i>							
	<i>Textiles</i>	<i>Articles of apparel</i>	<i>Toys</i>	<i>Electronic products and electrical equipment</i>	<i>Watches and clocks</i>	<i>Footwear</i>	<i>Bijouterie and precious stones- related articles</i>	<i>Artificial flowers</i>
1993	70,556,242	90,574,377	50,247,051	177,891,924	25,423,252	47,226,167	3,527,944	6,511,841
1994	82,145,214	92,334,931	56,374,859	227,488,993	29,037,194	53,269,486	4,149,859	7,541,021
1995	92,839,936	90,950,765	61,719,053	300,531,078	33,542,772	60,167,345	4,760,066	8,159,524
1996	95,719,430	100,524,099	65,751,095	321,901,072	35,958,918	65,233,493	4,821,687	7,706,133
1997	100,395,191	106,669,226	76,557,142	352,459,550	36,047,503	65,619,242	5,202,645	8,213,260
1998	90,234,377	96,798,681	71,587,518	351,573,859	35,249,140	51,912,693	5,902,210	7,692,531
1999	85,709,911	99,308,172	70,719,488	381,817,755	36,976,224	47,839,768	8,271,956	7,538,373
2000	95,573,058	111,268,339	75,040,702	506,353,332	40,712,643	50,534,347	10,893,152	7,388,239
2001	87,053,147	110,609,153	62,412,560	506,539,517	37,869,585	45,938,228	11,492,507	6,759,014
2002	89,242,953	109,912,434	63,032,684	594,894,095	37,402,358	44,905,486	13,894,029	6,900,894
2003	96,025,022	116,477,205	66,352,688	724,025,310	41,052,840	44,667,297	16,851,276	6,595,643
2004	106,038,677	132,115,137	68,796,315	900,520,822	44,902,254	44,296,531	20,996,861	6,327,326
2005	102,866,140	156,027,489	72,256,435	1,054,785,915	45,445,652	47,750,195	26,606,909	5,833,428
2006	103,931,565	168,296,436	72,121,400	1,204,070,089	46,435,428	46,737,055	29,820,075	5,065,501
2007	101,065,901	185,514,045	90,891,686	1,337,132,161	49,465,424	46,488,311	34,048,460	4,660,503
2008	92,347,997	194,984,794	102,242,545	1,427,100,148	54,759,275	46,567,075	37,063,895	4,381,335
2009	75,157,488	172,458,897	91,820,638	1,303,460,525	43,391,461	36,870,219	30,084,332	2,519,893
2010	85,895,414	183,600,266	74,263,484	1,673,692,561	57,328,101	43,322,605	36,401,898	2,687,197
2011	86,214,674	187,803,625	77,694,247	1,834,555,314	68,652,834	43,866,787	47,881,834	2,823,811
2012	80,357,801	173,098,703	76,289,881	1,967,021,122	74,053,369	40,191,010	53,986,465	2,229,389
2013	81,854,133	168,365,149	61,624,797	2,103,004,430	76,312,438	36,362,241	57,787,087	2,057,279
2014	74,975,292	157,479,983	49,956,012	2,233,054,083	79,412,547	33,638,126	63,203,376	1,946,416
2015	69,981,313	141,736,900	46,486,550	2,281,916,824	76,049,822	30,309,566	56,086,614	1,752,201
2016	60,767,205	121,122,606	35,583,089	2,336,213,528	68,238,487	24,340,724	49,678,633	1,468,444
2017	58,689,142	112,552,491	47,558,265	2,547,768,706	65,033,388	22,591,052	49,361,238	1,463,931
2018	57,279,495	108,232,819	47,152,871	2,809,370,740	65,738,906	22,114,642	55,177,146	1,330,932

Annex 3

Ranking of Exports^{Note} of Hong Kong in the World Merchandise Trade

<i>Year</i>	<i>Ranking</i>
1993	9
1994	9
1995	10
1996	9
1997	9
1998	11
1999	11
2000	10
2001	10
2002	11
2003	11
2004	11
2005	11
2006	12
2007	13
2008	13
2009	11
2010	11
2011	12
2012	10
2013	9
2014	9
2015	7
2016	6
2017	7
2018	8

Note:

Include exports and re-exports.

Source: World Trade Organization.

Renewable energy

21. **MR CHAN HAK-KAN** (in Chinese): *President, Feed-in Tariff ("FiT") and Renewable Energy Certificates ("RECs") are two new initiatives for promoting the development of distributed renewable energy ("RE"). FiT encourages the private sector to invest in the construction of RE systems through the power companies' purchase of the power generated from RE at a rate higher than the normal electricity tariff rate. On the other hand, the power companies sell RECs for every unit of electricity generated from RE. Electricity consumers can support the development of RE by purchasing RECs. In this connection, will the Government inform this Council:*

- (1) *whether it knows, since the introduction of RECs, (i) the number of RECs and (ii) the amount of electricity generated from RE sold respective by the two power companies;*
- (2) *whether it knows, in respect of FiT since it was launched:*
 - (a) *the respective numbers of applications approved by the two power companies, broken down by the generating capacity of the systems (i.e. (i) equal to or less than 10 kilowatts ("kW"), (ii) more than 10 kW but not exceeding 200 kW, and (iii) more than 200 kW but not exceeding 1 megawatt),*
 - (b) *the respective numbers of units of electricity purchased by the two power companies,*
 - (c) *the respective average times taken by the two power companies for processing applications which were approved, and*
 - (d) *the respective percentages of customers of the two power companies who successfully installed electricity generation systems, broken down by the category of customers (e.g. residential, commercial and school);*
- (3) *as some members of the public have relayed to me that their FiT applications have been approved with a lower generating capacity due to issues such as the proposed electricity generating capacity*

has exceeded the capacity of the relevant power grids (including electric substations and power cables), whether the Government knows the number of such cases and the follow-up actions taken by the two power companies;

- (4) given that the Government has introduced Solar Harvest to provide subsidies and assistance to schools (except government and profit-making schools) and non-governmental welfare organizations, which are receiving recurrent subventions from the Social Welfare Department, for installing small-scale solar photovoltaic systems on their premises, of the to-date number of schools and organizations which have been provided with subsidies and assistance for installing such systems;*
- (5) whether it has plans to review the FiT rates; if so, of the details and timetable;*
- (6) of the measures (e.g. providing subsidies to members of the relevant recycling industry) in place to dispose of waste solar panels, so as to prevent such waste from polluting the environment; and*
- (7) of the current percentage of power generated by solar energy in the total electricity supply in Hong Kong, and whether it will set a target for that percentage; if so, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (1) Renewable Energy Certificates were introduced in January 2019. As at the end of September 2019, CLP Power ("CLP") and Hongkong Electric ("HKE") had sold 143 and 113 Renewable Energy Certificates respectively, representing over 2 500 000 and about 900 000 units of electricity respectively.
- (2) The Feed-in Tariff ("FiT") Schemes of CLP and HKE were implemented on 1 October 2018 and 1 January 2019 respectively. As at the end of September 2019:

- (a) The numbers of applications approved by the two power companies respectively, broken down by generating capacity, are as follows:

<i>System Type</i>	<i>Number of Approved Applications</i>	
	<i>CLP</i>	<i>HKE</i>
Systems with generating capacity of 10 kW or below	3 913	57
Systems with generating capacity of above 10 kW but below or equal to 200 kW	595	16
Systems with generating capacity of above 200 kW	5	0 ^{Note}

Note:

HKE has not received applications concerning large systems with generating capacity of above 200 kW so far.

- (b) The two power companies have purchased through the FiT Schemes about 3 500 000 and about 250 000 units of electricity respectively.
- (c) The time required to process applications depends on the circumstances of each case. In cases where the applicant includes all necessary documents in the submission, and the project also fulfils relevant technical and safety requirements, CLP and HKE would need on average about three weeks and two weeks respectively to process the application.
- (d) The numbers of CLP and HKE customers who have successfully installed generating systems and have started receiving FiT account for 20% and 40% of the applications received by the two power companies respectively. Breakdown of these cases by type of customer is as follows:

<i>Customer Type</i>	<i>Percentage (%)</i>	
	<i>CLP</i>	<i>HKE</i>
Residential Customers	83	52
Commercial and Industrial Customers	8	24
Schools	4	17
Other Customers	5	7

- (3) As at the end of September 2019, CLP had received over 5 200 applications. In 400 of these cases (i.e. 8%), the generating capacity approved was lower than that applied for. Many of these cases involved locations in relatively remote areas. As for HKE, it has not adjusted the generating capacity of any of the applications received so far.

We understand that, at present, when CLP customers apply for FiT, if the generating capacity applied for exceeds the capacity of the electricity network at the premises concerned, CLP cannot approve the excess capacity because it has to ensure the safety and reliability of the electricity system. To further support the development of renewable energy and facilitate its customers, CLP would, having regard to the customer's application, increase the capacity of the electricity network or undertake reinforcement work. The customer may choose to accept immediately a generating capacity which is lower than that applied for, or to wait till completion of the reinforcement work which would allow connection to the CLP electricity network at the capacity level applied for, and then get connected at that level.

- (4) The Electrical and Mechanical Services Department ("EMSD") introduced "Solar Harvest" in March this year to install solar photovoltaic ("PV") systems for eligible non-government and non-profit-making schools, as well as welfare non-governmental organizations on recurrent subventions from the Social Welfare Department. Response to the scheme has been positive. The first two rounds of applications closed in early April and end of May this year respectively, with over 210 applications received in total. EMSD is processing the applications and the first batch of systems has begun operation starting from early October this year. EMSD plans to invite the next round of applications in the first quarter of next year.
- (5) FiT rates are adjusted annually having regard to relevant factors (including mainly changes in the costs of installing renewable energy systems), in order to maintain the original objective in setting the FiT rates, which is to shorten the payback period of the systems concerned. In adjusting the FiT rates, we need, on the one hand, to provide sufficient financial incentives for investing in renewable energy and, on the other hand, to balance the impact of FiT on

tariffs. We will announce the outcome of the review of the FiT rates at the end of 2019 when we announce the outcome of the 2020 tariff review.

- (6) Solar PV panels do not have moving parts, and normally can be used for more than 25 years. Although there is no imminent need to handle or recycle large quantities of solar PV panels in Hong Kong at present, the Government will make reference to international trends and practices, including the technologies for, and experiences in, recycling solar PV panels, and will continue to closely monitor the local usage of solar PV panels, so as to formulate a suitable solution for Hong Kong in a timely manner.
- (7) According to the "Hong Kong Energy End-use Data", the amount of renewable energy currently accounts for roughly 0.1% of "electricity" consumption. This includes the solar energy used to heat water, and electricity generated by PV panels, wind and hydro power systems and waste-to-energy facilities. We do not have the breakdowns.

Generally speaking, the generation of renewable energy relies on natural resources, such as solar, wind and hydro power. However, the physical environment of Hong Kong has imposed a relatively large number of constraints on the wide application of such renewable energy. As set out in the Hong Kong's Climate Action Plan 2030+, based on currently mature and commercially available technologies, our estimate is that Hong Kong has a realizable renewable energy potential of about 3% to 4% (as a percentage of Hong Kong's total electricity consumption) arising from wind, solar and waste-to-energy that can be exploited between now and 2030, with solar accounting for about 1% to 1.5%. However, we still face many technical and financial challenges in fully exploiting such renewable energy potential, and there would also be impact on tariffs. Given that we are still at an early stage of development in many aspects, and that there are many uncertainties involved (for example, the local community only has about one year's experience in FiT), it is not yet appropriate to specify a target for renewable energy (including that for solar energy) in the fuel mix for electricity generation at this stage.

The Hong Kong International Airport

22. **MR YIU SI-WING** (in Chinese): *President, in recent years, the Hong Kong International Airport ("HKIA") has been facing keen competition from the other four airports in the Pearl River Delta Region. Regarding the application of new technologies by the Airport Authority Hong Kong ("AAHK") for enhancing the competitiveness of HKIA, will the Government inform this Council if it knows:*

- (1) the strategy formulated for the coming five years by AAHK on the application of new technologies in HKIA, as well as the relevant implementation timetable and estimated expenditure;*
- (2) the new technologies and smart systems currently used by AAHK and those to be used in the coming five years, as well as their benefits/anticipated benefits; and*
- (3) whether AAHK has, by drawing reference from the practices of advanced airports in foreign countries, procured facilities applying new smart technologies which are compatible with the HKIA three-runway system which will be completed in 2024?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, the Government has all along been working closely with Airport Authority Hong Kong ("AAHK") in exploring and taking forward various measures to enhance the services and competitiveness of the Hong Kong International Airport ("HKIA"). In recent years, AAHK has proactively exploring technological applications in developing HKIA as a smart airport for delivering a unique passenger experience on one hand and further enhancing operational efficiency on the other. AAHK has already formulated a series of development strategies to vigorously promote and implement its smart initiatives through the application of intelligent data, operation and automated passenger processing technology and data analytics, so as to optimize airport operation and enhance passenger experience. My reply to various parts of the question raised by Mr YIU Si-wing is as follows:

(1) and (2)

HKIA's smart airport development strategy covers five key aspects, including (a) building and enabling a smart infrastructure; (b) enhancing efficiency with robotics and automation; (c) self-services and smoother passenger journey enabled by technology; (d) connecting passengers with personalized and intelligent touch; and (e) gaining insight for optimizing airport operations via data analytics. In relation to these five key aspects, AAHK has implemented or planned for various smart initiatives at HKIA.

In respect of building a smart infrastructure, AAHK has established a set of core platforms for creating fast, agile and reliable connectivity among people, devices and facilities at HKIA. These platforms include increasing the high speed Wi-Fi zones with a speed of up to 400 megabits per second or more to 30 in the passenger terminals, applying 5G technologies, providing an independent, reliable and dedicated wireless network for use by airport operators, building an Internet-of-Things ("IoT") Network to allow massive amount of devices and facilities at HKIA be interconnected for collection of data for analysis. With the above platforms, AAHK is able to apply big data analytics and Virtual Reality ("VR") applications; in particular the "digital twin" provides an airport model for scenic VR simulation which can be used for operational drills or training, so as to allow AAHK to manage the airport operations more effectively and be able to respond to the needs of passengers.

Increasing automation and use of robotics not only enhance efficiency but also improve occupational safety and health. More new applications on robotics and automation have been adopted or in the process of being tried out at HKIA. For example, a high-speed baggage transport system is under construction to automate the delivery of arrival baggage from the Midfield Concourse, robotics technology is being used for some cleaning work and ambience monitoring in the passenger terminals. In collaboration with a local research institution, an automatic system has been developed for the detection of foreign objects on runways in real-time to enhance runway safety and operational efficiency. In addition, AAHK is

conducting a feasibility study to adapt autonomous driving technology onto electric tractors on the apron for enhancing the efficiency in cargo and baggage delivery.

Since 2016, AAHK has started to introduce various automated and self-serviced processes, from check-in to departure security, in phases. Self-service is introduced at HKIA not only as a means to suit the new generation of passengers, but also to enhance efficiency. To allow more flexible use of counter space and improve efficiency, self-bag drop facilities have been installed at 120 check-in counters, reducing bag drop time to 60 seconds as compared to two to three minutes at manual counters. A new generation of smart mobile check-in kiosks invented by AAHK has also been launched. A total of 120 kiosks are in service at various locations in the passenger terminals as well as off-airport locations. For example, the kiosks are deployed at the Guangzhou-Shenzhen-Hong Kong Express Rail Link West Kowloon Station and the Hong Kong Boundary Crossing Facilities of the Hong Kong-Zhuhai-Macao Bridge to provide check-in service. To provide passenger a seamless experience, the application of facial recognition technology allow passengers to use their face as a single token in handling different processes at the airport, including check-in, security check and boarding, without repeatedly showing the passport or boarding pass. A total of 48 self-service e-security gates equipped with facial recognition technology have been launched at Terminal 1 by June 2019. Other e-facilities including self-boarding gates and e-transfer gates are being planned for installation in phases.

AAHK will continue to connect passengers with personalized and intelligent touch. HKIA's mobile app "HKG My Flight" provides a wide range of functions and information to passengers. When it is paired with HKIA's smart baggage tag, MyTAG, arrival passengers will receive notifications when their bags are ready for pick-up. HKIA is the first airport in the world introducing such service. Over 10 000 pieces of MyTAG have been sold so far.

Data analytics is a key element in the airport's digital transformation. With plenty of data available from various aspects of airport operations, big data analysis will enable predictive decisions and

timely enhancements in, for example, queue management and deployment of manpower or other resources for serving flights and passengers. For instance, AAHK's "IoT-Augmented Airfield Service System" utilizes and integrates a multitude of disparate data sources to provide real-time and predictive AI-enabled analytics for the HKIA community to better manage aircraft arrival and departure, baggage handling and catering service. The "baggage trolley tracking system" launched in 2017 uses video analytics to enhance the efficiency of manpower and equipment deployment for retrieving and providing trolleys for passengers, which helps improve service in the passenger terminals.

AAHK is responsible for the budget and expenditure for the above smart airport initiatives, which are funded by its operation and maintenance budget. Therefore we do not have the detailed breakdown.

- (3) AAHK will continue to follow closely the trend of technology applications in airports of different places and examine as to whether they are suitable for application at HKIA. AAHK established the Airport Technology Advisory Council in 2015 to engage experts from various research and development institutions and universities in providing guidance on introducing advanced technologies at HKIA; and at the same time facilitate universities and technology industry around the world (including local startups) to conduct various trials of technological solutions at HKIA. In the course of developing HKIA into a smart airport, HKIA itself will continue to serve as an incubating platform, facilitating Hong Kong's technology industry in exploring new ideas and innovative solutions in aviation.

To further strengthen HKIA's leadership in the development of smart airport and applied technology, AAHK will continue to work closely with international aviation organizations including the International Air Transport Association and the Airport Council International in pioneering the technology development and drive new standards for the industry.

PRESIDENT (in Cantonese): I now suspend the meeting until 2:40 pm.

1:33 pm

Meeting suspended.

2:40 pm

Council then resumed.

GOVERNMENT BILLS

First Reading and Second Reading of Government Bills

First Reading of Government Bills

PRESIDENT (in Cantonese): Government Bills: First Reading.

Stand-over item: Mandatory Provident Fund Schemes (Amendment) Bill 2019 (standing over from the meeting of 3 July 2019)

MANDATORY PROVIDENT FUND SCHEMES (AMENDMENT) BILL 2019

RATING (AMENDMENT) BILL 2019

FREIGHT CONTAINERS (SAFETY) (AMENDMENT) BILL 2019

CLERK (in Cantonese): Mandatory Provident Fund Schemes (Amendment) Bill 2019

Rating (Amendment) Bill 2019

Freight Containers (Safety) (Amendment) Bill 2019

Bills read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.

Second Reading of Government Bills

PRESIDENT (in Cantonese): Government Bills: Second Reading.

Stand-over item: Mandatory Provident Fund Schemes (Amendment) Bill 2019 (standing over from the meeting of 3 July 2019)

MANDATORY PROVIDENT FUND SCHEMES (AMENDMENT) BILL 2019

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I move the Second Reading of the Mandatory Provident Fund Schemes (Amendment) Bill 2019 ("the Bill").

The Bill seeks to amend the Mandatory Provident Fund Schemes Ordinance (Cap. 485) ("MPFSO") and relevant subsidiary legislation to achieve two objectives. The first objective is to give the Mandatory Provident Fund Schemes Authority ("MPFA") explicit power to set up a wholly owned subsidiary as the legal entity to build, own and operate the eMPF Centralized Platform ("CP") for more efficient administration of the Mandatory Provident Fund ("MPF") schemes. The second objective is to enable MPFA to start charging MPF approved trustees the statutory Annual Registration Fee ("ARF") at a level of 0.03% of the net asset value ("NAV") of an MPF scheme.

The CP project is a key task of the Government and MPFA in reforming the MPF regime. CP will facilitate the centralization of MPF scheme administration to create room for reduction of MPF management fees and a predominantly paperless MPF experience in the long term. At its meeting in December last year, the Panel on Financial Affairs of the Legislative Council supported the development of CP at an estimated cost of about \$3.3 billion. The funding was approved by the Legislative Council not long ago. As we have explained to the Panel on Financial Affairs, after taking into account various considerations, we consider that tasking a subsidiary set up by MPFA to build, own and operate CP is the optimal institutional arrangement.

However, there is no explicit power under the existing MPFSO for MPFA to set up a limited company to perform its own functions. Hence, the prudent approach is to amend the relevant Ordinance to provide a legal basis for MPFA to set up a wholly owned subsidiary for the purpose of building, owning and operating CP.

I wish also to take this opportunity to update Members on the progress of the CP project. MPFA has completed a Request for Information exercise to openly invite submissions from interested parties with relevant experience in various aspects on the provision of information for the design, building and operation of CP. MPFA is also formulating standardized administration processes for MPF schemes and preparing for the tendering exercise to be conducted by the end of this year and the comprehensive legislative amendment in the next phase, with a view to completing the development of CP in 2022 and implementing CP in phases thereafter.

As for ARF, it is the Government's policy intent that MPFA should achieve self-financing by recovering from approved trustees its costs of exercising and performing its functions with respect to MPF registered schemes. However, due to various reasons, MPFA has never charged trustees ARF. As such, the ARF level has been set at 0% of the NAV since the commencement of the operation of the MPF System in 2000.

To enable MPFA to fulfil its statutory obligations, it is essential for MPFA to attain financial sustainability through charging MPF trustees ARF as a stable stream of income.

To protect the interests of scheme members, trustees will be prohibited from charging any constituent fund of a registered scheme, any registered scheme or any scheme member any ARF-related fee under the Bill. In fact, the ARF level should be set at 0.05% to recover MPFA's costs of about \$460 million for performing its functions with respect to registered schemes. However, having considered the government proposal on prohibiting trustees from passing on the cost of ARF to scheme members, we suggest adopting an incremental approach by starting with a lower level of 0.03% of NAV of a scheme for the first six years to allow room for trustees to adjust to the new expenses. The ARF level will be revised with effect from the seventh year after review with a view to achieving full cost recovery. The proposal has taken into account the views of the industry and gained the support of members of the Panel on Financial Affairs at its meeting in December last year.

Subject to the Bill being passed by the Legislative Council, MPFA will then move ahead with the procedures of setting up a wholly owned subsidiary, and the arrangement with respect to the statutory ARF will be implemented beginning with the year 2020.

President, I implore Members to support the Bill.

I so submit. Thank you, President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Mandatory Provident Fund Schemes (Amendment) Bill 2019 be read the Second time.

In accordance with the Rules of Procedure, the Second Reading debate is adjourned and the Bill is referred to the House Committee.

RATING (AMENDMENT) BILL 2019

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I move the Second Reading of the Rating (Amendment) Bill 2019 ("the Bill").

The Chief Executive announced on 29 June 2018 the proposed introduction of Special Rates on vacant first-hand private residential units, with a view to encouraging more timely supply of these units. The Bill seeks to implement this new measure.

To ensure the healthy and stable development of the property market, the Government has been closely monitoring the market situation. With the Government's continued efforts in increasing land supply, the total projected supply of first-hand private residential properties for the coming three to four years has stayed high at over 90 000 units since the first quarter of 2016.

However, the Government has noted that the number of unsold first-hand private residential units (commonly known as "unsold first-hand units") in completed projects has been increasing in recent years, from around 4 000 units at end-March 2013 (around 6% of the then projected supply) to 10 000 units at end-June 2019 (around 11% of the then projected supply).

In view of the prevailing housing shortage and the ample time developers have in the pre-sale of uncompleted flats, this trend is undesirable. The Government considers that more effective measures have to be taken to encourage developers to supply first-hand private residential units on the market expeditiously.

The Bill proposes that target units under the Special Rates regime are first-hand private residential units with occupation permits issued for 12 months or more. In other words, Special Rates are not applied to bare sites, non-residential units or second-hand residential units.

Developers holding target tenements are required to submit annual returns to the Rating and Valuation Department ("RVD") on the condition of such units in the past 12 months, such as whether any agreement for sale and purchase has been made in respect of the relevant unit and whether the unit has been let. Unless otherwise specified in the Bill, developers are liable to payment of Special Rates if the target unit has not been sold within the 12-month reporting period, or let to a person under a stamped tenancy agreement at a rent not less than the market rent and for not less than 183 days in aggregate.

To cater for the pre-sale of uncompleted units, the Bill proposes that if developers have entered into an agreement of sale and purchase in respect of a certain tenement, despite pending the execution of assignment, the relevant tenement will be regarded as sold, which Special Rates will not be levied. If the relevant agreement of sale and purchase is subsequently cancelled or terminated, the developer must notify RVD. Depending on the circumstances, the developer may need to make back payment of Special Rates in respect of one or more reporting periods.

The Bill proposes that Special Rates are chargeable at a flat rate of 200%, which is two times of the rateable value of the relevant target tenement. Based on the average rental yield of 2.4% for residential property in June 2019, Special Rates chargeable for one year is roughly equal to 5% of the property value. We consider the levy rate appropriate, which will be forceful enough to send a clear message to the market, encouraging developers to launch first-hand units on the market as soon as possible.

To allow sufficient time for RVD and the trade to get prepared for the submission of the first return under the Special Rates regime, we propose that the Bill, subsequent to its passage in Legislative Council, should come into operation three months after its gazettal.

President, in drafting the Bill, we have taken into consideration the views of various strata in society, including the views expressed at the meeting of the Panel on Housing held on 1 April this year, public concerns about the imbalance between housing demand and supply and continual increase in the number of unsold first-hand units, and the views of the trade and various professional groups on the measure.

On the whole, the new measure is supported by society at large. Many members of the public hope that the Government will implement the measure as soon as possible to encourage developers to sell or let completed first-hand private residential units expeditiously.

During the course of consultation, we have received suggestions on the implementation details of the measure, yet after deliberation, we consider that the effect to be brought by the present Bill will best serve the community as a whole.

President, I hope the Legislative Council will expeditiously examine and pass the Bill, so that the new measure can be implemented early. If the Legislative Council forms a Bills Committee to scrutinize the Bill, we will do our best to support the work of the Bills Committee and listen to the views of the public, the trade and Members of the Legislative Council on the Bill.

President, I so submit.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Rating (Amendment) Bill 2019 be read the Second time.

In accordance with the Rules of Procedure, the Second Reading debate is adjourned and the Bill is referred to the House Committee.

FREIGHT CONTAINERS (SAFETY) (AMENDMENT) BILL 2019

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I move the Second Reading of the Freight Containers (Safety) (Amendment) Bill 2019 ("the Bill").

The International Maritime Organization ("IMO") is a United Nations specialized agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships. Through the making of various conventions, IMO sets the global standards of international shipping for such areas as maritime safety and security, environmental protection and training for maritime personnel. As an Associate Member of IMO, Hong Kong will, as do other Member States, implement the requirements of various IMO conventions through local legislation. The Bill is precisely an effort of local legislation undertaken to implement the relevant requirements of IMO's International Convention for Safe Containers ("the Convention").

The objectives of the Convention are to ensure the safety of handling, stacking and transporting freight containers and lay down uniform structural requirements of containers. To facilitate the international transportation of containers, the Convention also standardizes the requirements for testing and inspecting containers, as well as prescribing the procedures of their maintenance, examination and control for safe transportation.

At present, the Convention is implemented in Hong Kong through the Freight Containers (Safety) Ordinance (Cap. 506) ("the Ordinance") and its four pieces of subsidiary legislation. In Hong Kong, the Director of Marine is empowered to appoint recognized organizations to examine, test and approve containers, while the Marine Department monitors compliance in general, including by conducting inspections of containers on board vessels.

The Bill presented for the consideration of the Legislative Council seeks to incorporate into the Ordinance the updated requirements of the Convention so that they can be implemented locally. Compliant fully with the requirements of the Convention, the content of updating includes the incorporation of specifications for containers with limited stacking capacity, the formulation of testing procedures and specifications for containers approved for operation with one door open or removed, and the stipulation that aligned terms and units be used on the safety approval plates of containers. In incorporating the latest

requirements of the Convention into the Ordinance, we have drawn reference from the practice adopted by other local marine-related legislation, making direct reference to the relevant provisions of the Convention wherever applicable in the Bill so that the Ordinance will be up-to-date with the new requirements promulgated by the Convention in future as far as possible.

Given that the amendment set out in the Bill is technical in nature, there will be little impact on the existing policy, regulation and implementation with respect to container safety in Hong Kong. As ocean-going container vessels have to call at different ports around the world, they are well-informed of the latest relevant requirements and the containers on board these vessels should have already complied with the latest requirements of the Convention when they enter Hong Kong. Hence, the amendment proposal is not expected to cause any significant impact on the daily operation of the industry. As a matter of fact, the amendment proposal has already gained the support of the industry.

President, I implore Members to support the Bill so that it can be passed and implemented early.

I so submit. Thank you, President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Freight Containers (Safety) (Amendment) Bill 2019 be read the Second time.

In accordance with the Rules of Procedure, the Second Reading debate is adjourned and the Bill is referred to the House Committee.

Resumption of Second Reading debate under Rule 64(2) of the Rules of Procedure for the purpose of making an announcement of the withdrawal of the Bill

PRESIDENT (in Cantonese): I have accepted the recommendation of the House Committee and given permission for the Secretary for Security to make an announcement of the withdrawal of the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 under Rule 64(2) of the Rules of Procedure.

Stand-over item: Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 (standing over from the meeting of 16 October 2019)

FUGITIVE OFFENDERS AND MUTUAL LEGAL ASSISTANCE IN CRIMINAL MATTERS LEGISLATION (AMENDMENT) BILL 2019

PRESIDENT (in Cantonese): Under Rule 64(3) of the Rules of Procedure ("RoP"), the Secretary may, in making an announcement of the withdrawal of the aforesaid Bill, address the Council on matters relevant to the withdrawal but no debate may arise on such an address. After the Secretary has spoken, the Council does not need to vote on the withdrawal of the Bill.

(Mr CHAN Chi-chuen indicated his wish to raise a point of order)

PRESIDENT (in Cantonese): Mr CHAN Chi-chuen, what is your point of order?

MR CHAN CHI-CHUEN (in Cantonese): President, under RoP 64(3), no debate may arise on the address by the Secretary. However, President, will John LEE simply say "withdraw the Bill" today? Will it not be unfair if he makes a lot of distorted arguments in his address later on to which we may not respond? President, can you ask him not to talk nonsense?

PRESIDENT (in Cantonese): If Members act in accordance with RoP, the proceedings will be very smooth. Secretary for Security, please speak.

SECRETARY FOR SECURITY (in Cantonese): President, after consulting the Panel on Security of the Legislative Council in February this year, the Administration tabled the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 ("the Bill") to the Legislative Council, proposing amendments to the existing Fugitive Offenders Ordinance and Mutual Legal Assistance in Criminal Matters Ordinance. The Bill was read the First time at the Legislative Council meeting on 3 April. Then, I gave notice to the Legislative Council on 27 May that the Administration intended to resume the Second Reading debate on the Bill at the Legislative Council meeting on 12 June.

Due to divided views on the Bill among the public and conflicts in society, the Administration has decided to suspend the amendment exercise after conducting a study and review. In this connection, I wrote to the President of the Legislative Council on 15 June to withdraw the notice of resumption of the Second Reading debate on the Bill. The work of the Legislative Council in regard to handling the Bill thus ceased. Since then, the Administration has repeatedly stated that the amendment exercise has stopped completely.

In order to make clearer the position of the SAR Government on the amendment exercise, I now make an official announcement of the withdrawal of the Bill in accordance with Rule 64(2) of the Rules of Procedure of the Legislative Council.

I so submit. Thank you, President.

(A number of Members repeatedly chanted a slogan aloud: "John LEE, step down!")

PRESIDENT (in Cantonese): Members, I gave a warning this morning that Members may not yell in their seats. If Members continue to yell, the meeting will not be able to proceed.

(Mr HUI Chi-fung indicated his wish to raise a point of order)

PRESIDENT (in Cantonese): Mr HUI Chi-fung, what is your point of order?

MR HUI CHI-FUNG (in Cantonese): President, according to RoP 21(6), no debate may arise on the address by the Secretary for the purpose of withdrawing the Bill under RoP 64(2), but the President may allow short questions to be put to the public officer for elucidating any matter raised in the course of his address.

Under RoP 21(6), I now request the Secretary to make an elucidation. The Secretary mentioned just now that the Administration had conducted a review of the Bill. Does the review include the Secretary's serious personal

misconduct in handling the Bill, causing severe social unrest and division, for which he should tender apologies to the public, be held accountable and step down?

(A number of Members chanted a slogan aloud in their seats: "Step down!")

PRESIDENT (in Cantonese): The Secretary has delivered his address and no debate may arise on the address. As regards elucidation, Secretary, do you wish to do so?

SECRETARY FOR SECURITY (in Cantonese): President, I have nothing to add.

(Mr HUI Chi-fung indicated his wish to raise a point of order)

MR HUI CHI-FUNG (in Cantonese): President, the Secretary has not answered my question.

PRESIDENT (in Cantonese): Mr HUI, you did not raise a question just now. You sought an elucidation from the Secretary.

(Dr KWOK Ka-ki indicated his wish to raise a point of order)

DR KWOK KA-KI (in Cantonese): Point of order. I seek an elucidation from the Secretary.

PRESIDENT (in Cantonese): Secretary, do you wish to do so?

DR KWOK KA-KI (in Cantonese): I have not yet raised the matter of which I seek an elucidation from him.

PRESIDENT (in Cantonese): According to RoP, while Members may seek an elucidation by the Secretary, only after the President has asked the Secretary whether he wishes to do so may the Member raise the matter of which he seeks an elucidation. Secretary, do you wish to give an elucidation?

SECRETARY FOR SECURITY (in Cantonese): President, no elucidation is necessary.

Resumption of Second Reading Debate on Government Bill

PRESIDENT (in Cantonese): Government Bills. This Council resumes the Second Reading debate on the Inland Revenue (Amendment) (Tax Concessions) Bill 2019.

Stand-over item: Inland Revenue (Amendment) (Tax Concessions) Bill 2019 (standing over from the meeting of 26 June 2019)

INLAND REVENUE (AMENDMENT) (TAX CONCESSIONS) BILL 2019

Resumption of debate on Second Reading which was moved on 20 March 2019

PRESIDENT (in Cantonese): Mr Kenneth LEUNG, Chairman of the Bills Committee on the Bill, will first address the Council on the Committee's Report.

(Dr KWOK Ka-ki shouted aloud: "John LEE", and a number of Members immediately shouted aloud: "Step down!")

(Dr KWOK Ka-ki then shouted aloud: "Teresa CHENG", and a number of Members immediately shouted aloud: "Step down!")

PRESIDENT (in Cantonese): Dr KWOK Ka-ki, please leave the Chamber immediately.

(Dr KWOK Ka-ki did not leave the Chamber as ordered by the President and repeatedly shouted the slogan: "John LEE, step down!" and "Teresa CHENG, step down!")

PRESIDENT (in Cantonese): If Members do not stop shouting, the meeting cannot proceed.

Mr Kenneth LEUNG, please speak.

(Dr KWOK Ka-ki did not leave the Chamber as ordered by the President, and security officers tried to assist him to leave the Chamber)

MR KENNETH LEUNG (in Cantonese): President, is the meeting suspended, or will it continue?

PRESIDENT (in Cantonese): Dr KWOK Ka-ki, if you do not leave the Chamber, the meeting cannot proceed. Please leave the Chamber immediately.

(Dr KWOK Ka-ki still did not follow the President's order, security officers continued assisting him to leave the Chamber, and at this juncture, a number of Members left their seats and walked to Dr KWOK)

PRESIDENT (in Cantonese): I now suspend the meeting.

3:02 pm

Meeting suspended.

3:20 pm

Council then resumed.

MR KENNETH LEUNG (in Cantonese): President, in my capacity as Chairman of the Bills Committee on Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("Bills Committee"), I report to the Legislative Council the salient points of the work of the Bills Committee.

The Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") seeks to give effect to a taxation proposal in the 2019-2020 Budget to reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2018-2019 by 75% subject to a ceiling of \$20,000 per case.

The Bills Committee had held one meeting to discuss the Bill with the Administration. As a two-tiered profits tax rates regime has been introduced for corporations and unincorporated businesses starting from the year of assessment 2018-2019, some members queried the need to continue offering one-off reduction of profits tax to such businesses.

Moreover, members have noticed that though some individuals or businesses had paid tax in previous years of assessment, they do not have to pay tax in the year of assessment 2018-2019 due to revenue decrease or operation loss, which prevent them from benefiting from the tax concession. In this connection, the Bills Committee has discussed the feasibility of adopting other methods of calculation to provide one-off tax rebates to these individuals or businesses. For instance, one-off tax rebates may be calculated with reference drawn from salaries tax, tax under personal assessment or profits tax paid for the previous years of assessment; and allowing losses made in an accounting year to be carried backward for setting off against the assessable profits of taxpaying corporations and unincorporated businesses in the previous year.

The Administration has expressed that taking into account the fiscal management principles and the narrow tax base of Hong Kong, these suggestions will be difficult to implement. Besides, given that reductions of salaries tax, tax under personal assessment and profits tax have been provided in every year of assessment since 2011-2012, allowing a one-off tax rebate calculated with reference drawn from the amount of tax paid for the previous years of assessment may result in double deductions of tax for a year of assessment, and thus distort the basis of tax assessment.

As regards the treatment of losses in relation to profits tax, the Administration has pointed out that the Inland Revenue Ordinance ("IRO") (Cap. 112) already allows losses of enterprises of a year of assessment to be carried forward, without time limit, for setting off against assessable profits derived in the subsequent years of assessment. Allowing losses made in a year

of assessment to be carried backward for setting off against the assessable profits in the back years may result in tax refund by the Inland Revenue Department ("IRD") at any time and cause drastic and unpredictable fluctuations in tax revenue.

Moreover, some members have requested the Administration to introduce more concession measures in the financial year 2019-2020 to alleviate the financial burden of persons in need. The Administration has pointed out that resources have been allocated under the 2019-2020 Budget for measures to support local enterprises, including measures to help enterprises expand Hong Kong's market coverage or resolve liquidity problems. The authorities have offered various types of financial relief measures to needy families, such as providing an extra allowance to recipients of the Working Family Allowance and Comprehensive Social Security Allowance.

The Bills Committee has not proposed any amendment to the Bill and it has no objection to the resumption of the Second Reading of the Bill. According to the Administration's notice, the Second Reading debate of the Bill was scheduled for resumption at the Council meeting on 26 June 2019, but the resumption of the Second Reading debate was not dealt with before the 2018-2019 session ended and has been carried forward to the Council meeting today. During the interim, on 15 August 2019, the Financial Secretary announced a package of measures, which include increasing the percentage rate of the one-off tax reduction of salaries taxes, tax under personal assessment and profits tax for the year of assessment of 2018-2019 from 75%, as proposed in the Bill, to 100% while retaining the ceiling of \$20,000 per case. To implement this further tax concession proposal, the Administration has proposed amendments to the Bill. Some time ago, the Bills Committee had by circulation of the information documents invited members to express their views on the amendments to be proposed by the authorities in writing. By the specified deadline, members expressed no opposing to those amendments.

President, next I will give my personal views on the Bill.

President, in fact, in the two legislative years 2018 and 2019, the Government submitted a number of amendments to the IRO to amend a number of tax measures. Certainly, the amendments of these taxation measures are

made in response to the requests of the Organisation for Economic Co-operation and Development or international tax organizations, and some of the proposed tax measures are made, in response to the business environment in Hong Kong, to offer tax incentives for certain trades and industries.

In fact, from our observation, it can be seen that these tax measures proposed by the Government, be it tax rebates or incentive measures for various trades and industries, are often extremely superficial, and the Government has failed to formulate relatively comprehensive taxation policies based on the overall economic condition. In the Budget for the year before last, the Financial Secretary proposed the setting up of the Tax Policy Unit ("TPU"), which has been brought under the Financial Secretary's Office this year. However, given the resource and manpower constraints of TPU, its effect is limited. I must remind the Secretary that at present, apart from TPU under the Financial Secretary's Office, there is also the Joint Liaison Committee on Taxation ("JLCT") which has been in operation for over two decades. Members of JLCT are stakeholders in the professional sectors and business sectors who have a wealth of experience—I think each of them has over 20 to 30 years of experience in taxation matters. We notice that many members from JLCT have put forth many good suggestions on tax measures and matters. In my view, the work of TPU and that of JLCT should be mutually complementary, I can assert that no matter how much resource is invested in TPU for recruitment, it will not be able to recruit persons comparable to members of JLCT—these members are examining all policies and documents of IRD on a voluntary basis. I hope the Government will think over this and identify ways to enable the work of TPU and JLCT to be mutually complementary, so that resources can be used appropriately.

I certainly know that the Government will introduce many other tax measures in this year of assessment, one of which being tax measures for the chartering trade. I notice that in the Supplement to the Policy Address 2019, there is some information about the shipping register in Hong Kong. In fact, I think such information is not at all useful and slightly misleading. For instance, according to the data in the Supplement, the number of ships registered in Hong Kong has increased from 2 448 in 2015, four years ago, to 2 613 in 2019, recording an increase of 6.7%. If we do not look into the details, we may think that there is an increase every year. In fact, the shipping register trade in Hong Kong has been lagging behind Singapore and other European countries for years.

Although Hong Kong is currently regarded as the world's fourth largest shipping register, our position should be pitched at the world's largest shipping register hub. I hope the Government will expeditiously submit the amendment bill on tax concessions for the shipping register trade to the Legislative Council.

Moreover, I would like to share some of my views with the Secretary regarding the fundamental taxation structure which we have not found any opportunity to examine and discuss. More often than not, tax policies in Hong Kong are introduced in response to the downturn in the economic cycle or the need of a specific industry. In fact, a number of years ago, Hong Kong had set the target to be the holding centre for intellectual property in Asia and even worldwide. Regrettably, the taxation arrangements in Hong Kong have failed to support Hong Kong's economic positioning as a so-called holding centre for intellectual property.

Currently, many overseas companies do not come to Hong Kong for business development because the taxation arrangements for intellectual property in Hong Kong are lagging behind other countries. In this connection, I have to raise two concerns and hope that the Government will instruct TPU and even invite JLCT to conduct studies. First, with regard to the taxation arrangements provided for intellectual property under the Comprehensive Double Taxation Agreements into which Hong Kong has entered, are they the best concession offered worldwide? This is the first point. We have to examine the content of the 40-odd Comprehensive Double Taxation Agreements into which Hong Kong has entered.

The second issue, which may be regarded as a fundamental structural defect, is the provisions on the levy of income tax and profits tax on intellectual property under IRO of Hong Kong. Many enterprises have told me that it is common for a company of Hong Kong to act as the holding centre for intellectual property to provide licences for exclusive use of intellectual property to another company. The user of this licence is not required to undergo any procedure to offer a sub-licence of the intellectual property concerned to end users. This is a common practice and the reason for many enterprises choosing Hong Kong as the holding centre for intellectual property.

Yet, in reviewing the situation in the past, whether or not Comprehensive Double Taxation Agreements have been entered into, when the royalty for intellectual property is transferred from end users to owners of intellectual property licence in the middle tier and further transferred to the Hong Kong companies mentioned just now, these companies will often be subject to multiple taxation due to the deficiencies of IRO of Hong Kong. Besides, concessions offered through the relevant Comprehensive Double Taxation Agreements are not applicable to multiple taxation of this kind.

President, I will not dwell further on the technical issues here, for it is quite complicated indeed. I merely wish to state that many trade associations and professionals have conveyed this issue to me in the past couple of years, yet we are not given the time and opportunity to raise the issue with the Bureau. The Bureau may not have to submit a lot of amendment bills on IRO in the year 2019-2020, so I hope the Government will take this opportunity to spend time on carefully examining this issue. Certainly, I know that IRD will be most sceptical about arrangements which may lead to omission or evasion of tax. Indeed, the Bureau should consider it from another perspective, that is, if the arrangement for the control of intellectual property is enhanced, it may generate more profits tax revenue for Hong Kong and create more business opportunities. I hope the Government will consider issues in this aspect seriously and conduct a holistic study.

President, I so submit. I see no reason for opposing the Bill. I look forward to the expeditious Second Reading of the Bill. Thank you.

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

MR CHAN CHUN-YING (in Cantonese): President, the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") seeks to give effect to the proposal in the Budget 2019-2020 ("the Budget") with a view to alleviating the burden of taxpayers. The specific proposal is to provide a one-off reduction of salaries tax, tax under personal assessment and profits tax for year of assessment 2018-2019 by 75%, subject to a ceiling of \$20,000 per case. As Mr Kenneth LEUNG has also mentioned just now, further amendments will be proposed later on, so I will not make any repetition.

Upon passage of the Bill, the reduction will be reflected in taxpayers' final tax payable for year of assessment 2018-2019. According to the Government's estimation, the proposal will benefit 1.91 million taxpayers of salaries tax and tax under personal assessment, and 145 000 corporations or unincorporated businesses. The government revenue thus forgone amounts to approximately \$18.9 billion, of which \$17 billion is from tax reductions of individuals; and \$1.9 billion from tax reductions of corporations and unincorporated businesses.

According to the information provided by the Financial Services and the Treasury Bureau, government revenue from salaries tax amounts to \$60.8 billion in year of assessment 2017-2018, whilst revenue from tax under personal assessment amounts to \$5.3 billion, and revenue from profits tax amounts to \$139 billion. Based on these figures, insofar as the targets of this tax reduction proposal are concerned, the proposed reduction of revenue from personal tax is \$17 billion, and the concession rate is 26% compared with the total revenue of \$66.1 billion in the previous year. I am not able to calculate the concession rate of each individual item since the Government provides no breakdown of salaries tax and tax under personal assessment.

Moreover, the proposed reduction in respect of tax revenue from corporations or unincorporated businesses is only \$1.9 billion, and the concession rate is merely 1.4% compared with the revenue of \$139 billion in the previous year. That is to say, it is very obvious that this tax reduction proposal targets on individuals and small and medium enterprises ("SMEs"), as a vast majority of SMEs in Hong Kong are owned by one to two owners under their names. It means that this tax concession is estimated to benefit more than 2 million individuals. The overall principle and direction are quite worth supporting, and I will support the Bill.

Yet, President, Hong Kong economy is now slowing down continual under internal and external pressure, and the pressure of living on members of the public is also increasing. I believe the Bill, after passage, can relieve to a certain extent the financial burden of taxpayers. Although I am not a member of the Bills Committee on this Bill, when reviewing a discussion paper of the Bills Committee, I noticed that some members were aware that a two-tiered profits tax rates regime was introduced for corporations and unincorporated businesses in year of assessment 2018-2019. As Mr LEUNG mentioned just now, it is questionable as to whether there is a need to continue offering one-off reduction of profits tax to corporations or unincorporated businesses as corporations or unincorporated businesses liable to payment of profits tax are in fact making

profits. On the contrary, it seems not at all equitable that those SMEs which are making no profit at all or even sustaining losses may not benefit from this tax reduction proposal. By the same token, some members have also pointed out that, as the income of some individuals has reduced or they may even have no income in this year of assessment, those who do not have to pay salaries tax and tax under personal assessment in this year of assessment will not benefit from this measure either.

In view of this, the Bills Committee explored with the Administration back then on the possibility of offering these various taxpayers concessions in other aspects. As Mr LEUNG also mentioned just now, regarding relief measures in the form of concessions, the options considered include providing one-off tax rebates calculated with reference to the average amount of salaries tax, tax under personal assessment or profits tax paid for the previous years of assessment, which is also subject to a ceiling of \$20,000 per case; or allowing losses made in an accounting year to be carried backward for setting off against the assessable profits of tax-paying corporations or unincorporated businesses.

Just now I heard Mr LEUNG explain that the Government had said it would be very difficult to implement these two proposals, but the reasons cited by the Government are mainly considerations relating to the fiscal management principles and the narrow tax base of Hong Kong. President, please pay note in particular the allusion to the narrow tax base. In fact, the Government has provided reductions of salaries tax, tax under personal assessment and profits tax in every year of assessment since 2011-2012, the Government hence indicated that allowing one-off tax rebate calculated with reference to the average amount of tax paid for the previous years of assessment may result in double deductions of tax for a particular year of assessment, which is a fact.

Moreover, as regards the handling of losses in relation to profits tax, the Government has pointed out that the Inland Revenue Ordinance already allows losses of enterprises of the current year of assessment to be carried forward, without time limit. As a result, there is no need for enterprises to consider treating such losses in a particular year. Allowing losses recorded in a year of assessment to be carried backward for setting off against the assessable profits in the back years may probably result in refund of part of the tax payment which has already been recorded in the accounts and cause abnormal fluctuations in the relevant tax revenue. The Government considers that the current practice can actually assist enterprises in handling losses.

The Government has also supplemented that resources have been specifically allocated under the 2019-2020 Budget to implementing measures to support local SMEs, including extending the measures to help SMEs expand their market coverage, and assisting enterprises in resolving liquidity problems under the SME Financing Guarantee Scheme. In this connection, the Financial Secretary and the Commerce and Economic Development Bureau have recently announced some enhancement measures, and the Hong Kong Monetary Authority has also established with banks a coordination mechanism to assist financing of SMEs, but I am not going to make any elaboration here. The Administration has also waived the business registration fees for 2019-2020, and expanded the scope and funding of the Dedicated Fund on Branding, Upgrading and Domestic Sales. It is believed that these measures have helped to alleviate the pressure of SMEs to a certain extent.

President, whether one is convinced by the Government's explanation, the crux lies in the narrow tax base of Hong Kong, as I mentioned just now. According to estimates, the revenue from salaries tax, tax under personal assessment and profits tax is expected to reach \$232.3 billion in the fiscal year 2019-2020. I certainly have some reservations about the accuracy of this forecast against the latest economic environment currently.

Nevertheless, Hong Kong's overall economic growth is slowing down markedly as the China-United States trade conflicts continue to ferment. How to maintain the healthy development of Hong Kong's public finance is an issue we must address squarely. The current fiscal structure of the Government is rather weak and it is not easy to change. The narrow tax base and heavy dependence on land revenue are long-standing problems. The simple and low tax regime has itself determined that the tax base of Hong Kong would not be too broad.

That said, according to the latest information provided by the Government to the Bills Committee, the working population of Hong Kong in fact reaches 3.98 million in year of assessment 2017-2018, but only about 1.88 million of them are taxpayers. This implies that 53% of the working population, that is, more than half of the working population, does not have to pay salaries tax or tax under personal assessment. In addition, the Government even disclosed some time ago that in respect of personal salaries tax, the top 5% taxpayers contributed

63% of the total revenue from salaries tax, reflecting the very high degree of concentration in this regard. What is more, from another perspective, there are 1.27 million corporations and 258 000 unincorporated businesses in Hong Kong in year of assessment 2017-2018, but only 142 000 corporations or unincorporated businesses in total have assessable profits, which means 93% of the corporations or unincorporated businesses do not need to pay profits tax. Among the tax-paying corporations and unincorporated businesses, the top 5% of them contributed over 90% of the revenue from profits tax.

President, I understand that it is difficult to come up with a perfect method in the short term to resolve the problems of high concentration of tax types and taxpayers. The introduction of new tax types will have implications on the appeal of Hong Kong's simple and low tax regime which is highly competitive and has all along been enjoying international acclaim. Conversely, any attempt to broaden the tax base when sustained surpluses are recorded will invite voices of strong opposition in the community. But anyway, the Government should face up to the difficulties and proactively study new tax types that can be introduced, such as some indirect taxes already studied in the past, in order to broaden the tax base, including the base of taxpayers. Meanwhile, the Government should also study whether it is fairer to provide tax rebates at times when a fiscal surplus is recorded, or whether it is fairer to provide tax rebates when the economy is poor, just like the arrangement now. I believe these issues are worthy of proactive study by the Financial Secretary and the Financial Services and the Treasury Bureau.

President, Hong Kong as an international city must constantly amend our tax laws and regulations closely in line with changes in the international community. The Legislative Council also exercises scrutiny of amendments to various tax laws and regulations from time to time. However, acting proactively and keeping abreast of the times are the factors contributory to Hong Kong's success in the past. Other countries and regions, such as the United Kingdom and Singapore, also boldly use their tax systems as a tool to promote local economic development and attract talents. Therefore, here I wish to emphasize again that the SAR Government should take the initiative to review the relevant regulations, instead of simply following the successful practice or experience of others, which will only lead to the gradual erosion of Hong Kong's competitive edges.

In the meantime, the China-United States trade conflicts have yet to come to an end, and there exist a host of uncertainties. If the China-United States trade conflicts continue to escalate, the trading, logistics, and even the financial sectors of Hong Kong may face greater downside risks. As the saying goes, "when a bird's nest is overturned, no egg can remain intact", so no one can assert whether Hong Kong's coffers now inundated with money will suddenly dry up as a result of changes in the macro-environment. Therefore, while the Government has introduced tax concessions costing more than \$10 billion on the one hand, it is also necessary to expeditiously study on the other ways to broaden the tax base, alter the revenue structure, or attract more overseas investors to come to Hong Kong long term. At the same time, we must use our fiscal surpluses prudently to stimulate economic activities, which is actually a concept in sustainable public finance management.

I so submit. Thank you, President.

MR LEUNG CHE-CHEUNG (in Cantonese): President, I support the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 proposed by the Government.

According to the economic report published by the Government, the economic growth of Hong Kong started to record a downward adjustment from the third quarter of last year. There was a growth of 3.5% in the second quarter, compared to 2.9% in the third quarter. We all know clearly the main cause of it and that is, the United States waged the so-called trade war on our country in March last year by substantially increasing the tariffs on a wide variety of goods exported from China and as a result, Hong Kong has since faced increasing uncertainties in the external outlook. This has, of course, also brought increasing challenges to Hong Kong. The growth in exports of Hong Kong also began to slow down in September last year. The ensuing impact includes a downward adjustment in the output of financial services, transport services, and so on.

Moving into 2019, we can see the negative impact on Hong Kong economy surfacing significantly. The economy grew by a mere 0.6% in the first quarter of 2019. Exports continue to be dragged down by such unfavourable factors as the weak performance of the global economy. Production and trading activities

have been dampened; domestic demand has dropped; private consumption expenditure and overall investment expenditure have shrunk further; and the labour market is under tremendous pressure.

What has exacerbated the situation is that following the outbreak of the trade war, riots have since June this year taken place in Hong Kong for more than four months and have yet to end so far. The catering, retail and tourism sectors are among the first to bear the blunt. The number of closures and the unemployment rate are on the rise. I would say that we are caught in both external and internal troubles and if the chaos continue, I will be utterly pessimistic about whether a low unemployment rate can be maintained. Therefore, to relieve the pressure on the public and alleviate the difficulties faced by them in times of an economic downturn, the Government proposed one-off reductions of salaries tax, tax under personal assessment and profits tax for year of assessment 2018-2019 by 75%. On 15 August this year, the Financial Secretary further proposed to increase the percentage rate of tax reductions from 75% to 100% for year of assessment 2018-2019, subject to a ceiling of \$20,000. This, I very much support.

The tax reductions, to be capped at \$20,000, are very important to many families, especially the middle-class households or the sandwich class. In fact, we have talked about this for many years, stressing that the middle-class families or the sandwich class are badly in need of support from the Government in terms of tax liability. It is because while they enjoy relatively less social welfare, they have to meet mortgage payment and support the living of their parents and children, which make them feel miserable. Particularly, in respect of child raising, there used to be an advertisement claiming that it takes \$4 million to meet the costs of education and upbringing of a child. While the financial arrangements may vary, the expenses on supporting the daily living of their children, providing education for them and upgrading their skills, coupled with the need to pay tax and take out insurance, constitute a very heavy financial burden on these families. Tax reductions are enormously helpful to alleviating their burden.

The middle class is generally defined as people with a high income and assets, such as self-occupied properties, as well as some savings, investment, etc. The former Financial Secretary once said that people enjoying cups of coffee and going to the movies are considered the middle class. However, these middle-income households making \$25,000 to \$35,000 do not necessarily own

their properties, nor do they have much savings for they need to meet colossal sums of household expenses. Some even have to scrimp and save for the down payment for buying a property. Therefore, they are all the more in need of tax reductions.

According to the information of the Census and Statistics Department, in 2018, the median household income in Hong Kong was \$28,000. These middle-income households are actually living in straitened circumstances. Given the current situation of the property market, it is absolutely not easy to buy a flat. The property price of a flat of 300 sq ft is 15 to 16 times of the income of these middle-income households. A four-member family making not more than \$29,240 are still eligible for public rental housing ("PRH") but they have to pay exorbitant rents while they remain waitlisted. In view of the uncertainties in the future economic environment, it is all the more necessary for the public to make early preparations and cut their expenses. Tax reductions are all the more important to them.

We welcome these one-off tax reductions proposed by the Government but we consider that the tax allowance system still has room for improvement. As proposed by the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") over the years, the Government can, among others, provide a tax allowance for the employment of domestic helpers, in order to alleviate the financial burden on these families in looking after the elderly, children and family members.

Besides, as we are now talking about the integration of Hong Kong into the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area") development, the Government can consider extending the coverage of residential care homes eligible for tax deduction for the Elderly Residential Care Expenses to the two residential care homes in Shenzhen and Zhaoqing under the Pilot Residential Care Services Scheme in Guangdong of the Social Welfare Department. With more promising development in the Greater Bay Area in the future, the Government can further extend the coverage to other residential care homes that meet the requirements.

While the tax reductions proposed this time around are of greater help to taxpayers making a middle income or more and their families, the Government should not neglect the need of taking care of people in other groups and their families. I hope that the Government, apart from introducing tax reductions, can

introduce more one-off relief measures in the coming Budget and hand out more "candies", such as offering a one-off electricity charge subsidy of \$2,000 to each household, providing one or two extra months' payment to recipients of public assistance payment, waiving one to two months' rent for PRH tenants, reducing Government rent and rates, etc.

In the Policy Address presented lately, the Chief Executive proposed that the Community Care Fund ("CCF") be invited to grant, in the form of a cash allowance, a one-off living subsidy to low-income households not living in PRH and not receiving Comprehensive Social Security Assistance. This has answered the aspirations expressed by us in DAB and members of the community for taking care of the "N have-nots". But these low-income households, especially those living in subdivided units, are often made to pay tariffs higher than the market rate based on separate water and electricity meters. The Government should consider proposing to CCF that an allowance be provided for these two types of tariffs. Meanwhile, the Government should expeditiously adopt administrative measures to protect tenants using separate electricity and water meters from being overcharged.

At present, the Government is vigorously encouraging and assisting women to join the labour market. DAB has proposed that the Government should review on a timely basis the class types and schedules of the existing retraining courses and in particular, provide more diversified courses and assistance tailored to the needs of women, so that women can equip themselves while looking after their family and give play to their talents when they rejoin the labour market.

Moreover, the Government must staunchly support working women or families that need to look after their children, especially grass-roots families with both parents working or single working parents in need of child care support. As we all know, there is currently an acute shortage of nursery places and the supply of support services and voluntary home-based child care services falls short of the demand. Many families remain waitlisted and women are forced to stay at home to look after their young children, thus impeding their participation in the labour market.

Therefore, to encourage women to rejoin the labour market, the Government should give more consideration to the difficulties and needs of these families, and provide effective assistance in order to achieve the policy objectives. The Government should study ways to attract more families to join

the home-based child care sector. For instance, consideration can be given to substantially increasing the incentive payments. Meanwhile, to working parents or single working parents in the grass roots who work long hours and are currently users of home-based child care services, the child minding expenses may constitute a burden to them. The Government should conduct assessments and provide, in a timely manner, assistance and subsidies to alleviate their financial pressure.

In addition to a weak external economic environment, we even face the Hong Kong Human Rights and Democracy Act which will very likely be passed in the United States. This Act is Damocles' sword over the people of Hong Kong. It may bring even more uncertainties to the future of Hong Kong and impede our development in the long term. The SAR Government should step up efforts at promoting our integration with the Greater Bay Area development, especially by assisting young people in exploring development opportunities in the Belt and Road countries. I suggest that the Government should consider offering subsidies to young people with intentions to study and gain experience in these Belt and Road countries and incentivize them to broaden their horizons, thereby nurturing more talents for Hong Kong and assisting enterprises in their development of overseas markets.

I so submit.

MR WONG TING-KWONG (in Cantonese): President, the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") seeks to implement the reduction of tax under personal assessment, salaries tax and profits tax for 2018-2019 by 75%, subject to a ceiling of \$20,000 per case, as proposed in the 2019-2020 Budget. The Bill, which involves an expenditure of about \$18.9 billion, will benefit about 2.05 million taxpayers or enterprises.

The Committee stage of the Bill should have been completed in the last legislative session and voted on at the Council meeting on 26 June. However, the voting could not be proceeded with at the meeting that day. Subsequently, the Legislative Council Complex was vandalized by a large group of mobs on 1 July. As a result, the last two Council meetings of the last legislative session could not be held and the Bill, therefore, could not be voted on in the last legislative session.

Persistent violent demonstrations in Hong Kong and evil-doings by mobs have dealt a serious blow to tourism, hotel, catering, retail and other industries. This, coupled with the uncertainties surrounding the China-United States trade war, created considerable difficulties for the economic outlook of Hong Kong. Faced with these internal and external difficulties, Financial Secretary Paul CHAN has adopted many proposals put forward by the Democratic Alliance for the Betterment and Progress of Hong Kong. A further reduction of tax under personal assessment, salaries tax, and profits tax for 2018-2019 was announced on 15 August, increasing the original 75% reduction to 100%, while retaining the ceiling of \$20,000 per case. The new relief measure has increased the expenditure by \$1.84 billion.

As the new relief measure involves amending the original Bill of which the amendment period expired on 17 June, the Administration sought the President's permission to dispense with the amendment notice period, so that the Bill and the amendments can be dealt with as soon as possible for the benefit of taxpayers.

In the face of the situation, Mr Kenneth LEUNG, Chairman of the Bills Committee, wrote to members of the Bills Committee to enquire whether they agreed to dispensing with the amendment notice period, so that taxpayers can benefit from the tax reduction early. Mr KWOK Wai-keung, a member of the Bills Committee, and I both agreed that the amendment notice period should be dispensed with. The President eventually approved of the arrangement, allowing the Bill and the amendments to be voted on today.

The Bill and the amendments, which seek to reduce tax under personal assessment, salaries tax and profits tax payable by the majority of taxpayers, will undoubtedly alleviate their tax burden. It is some consolation money for the public and small and medium enterprises ("SMEs") under the extremely bad social environment presently. It is not necessarily life-saving, but does have an analgesic effect. Although just better than nothing, it is still worth supporting.

However, under the extraordinarily social and economic environment presently, only by stopping violence and curbing disorder can Hong Kong get out of the current predicament, restore social order and tide over the crisis. Otherwise, the hardships endured by the public and relevant industries cannot be resolved even if the SAR Government reduces more income tax, salaries tax and profits tax in the next few years.

Since June, rioters have been doing evils everywhere. Such acts of evil ranged from attacking the Police Force, police stations, government buildings and the Legislative Council Complex to besieging the airport, assaulting Mainland visitors and reporters, and even arbitrarily assaulting members of the public with different views. They constantly vandalized MTR facilities, causing full suspension of MTR service, and vandalized, robbed and burnt Chinese organizations, Chinese banks and companies, and also restaurants and shops supporting the Police. The atrocities committed by them are outrageous, leaving the public in fear. People dare not go out to make spending during weekends, Sundays or holidays as they are worried about mobs doing evils everywhere, not only causing property loss, but also threatening their lives. In many traditional core business districts, such as Mong Kok, Tsim Sha Tsui and Causeway Bay, businesses are suffering immensely from a drastic decline.

Given the extremely terrible public order, industries providing for a large number of grass-roots workers, such as tourism, hotel, catering, taxi and retail, are having a hard time. According to the statistics of the Immigration Department, the cumulative number of inbound and outbound passengers during the Mainland National Day Golden Week stood at some 47.71 million, which is 30% lower than that of the same period last year. The number of inbound Mainland visitors has dropped 50% year on year to 671 000, which is a new low during the National Day Golden Week in the past nine years. Presently, large-scale sport, tourism and entertainment events have also been cancelled.

The retail market has been on the decline for seven months in a row, and the year-on-year drop has gradually widened. As shops have to close frequently due to riots, the catering industry finds operation increasingly difficult. The value of total retail sales in August, provisionally estimated at \$29.4 billion, decreased by 23% year on year, which is a record high year-on-year drop since 1981. Many employees in the sector started to face no-pay leave or even unemployment. According to the figures from the Census and Statistics Department, the unemployment rate of the catering industry rose to 6% in the third quarter, which is a record high in six years.

According to some members of the catering industry, the figure has not yet taken into account the unemployment rate of casual and temporary workers, or else the unemployment rate in the catering industry will be higher than 6%. Yet, the worst has yet to come. The unemployment rate is expected to increase further if the current social unrest persists.

If stability and peace fails to restore in Hong Kong, SMEs in various sectors will not be able to overcome this crisis, resulting in waves of business closures and unemployment. In that eventuality, they will not even have to pay profits tax and salaries tax, what is the point of offering further reductions of profits tax and salaries tax then?

Hence, the most pressing task of Hong Kong is to stop violence and curb disorder, and the only way to achieve it is by rendering full support to the Police in taking stringent enforcement actions in order to bring all the rioters to justice. This will bring Hong Kong back to the rule of law and restore the confidence of the public and the business sector, so that Hong Kong economy can break away from the present predicament. This is way more beneficial to the public and various sectors than reductions of profits tax and salaries tax.

Yet, while all sectors should render full support to the Police in taking stringent enforcement actions to stop violence and curb disorder, departments of the SAR Government have not fully cooperated with and supported the Police. There were even incidents of the Police Force being obstructed. For example, a staff member of the Leisure and Cultural Services Department has even denied Police vehicles access to a venue. We find such a lack of coordination among government departments, or even hindrance to Police actions, most unacceptable. All departments of the SAR Government must work together and fully cooperate ...

PRESIDENT (in Cantonese): Mr WONG Ting-kwong, please come back to the question of this debate.

MR WONG TING-KWONG (in Cantonese): I am discussing how stopping violence and curbing disorder are essential to the effective development of Hong Kong. I will come back to the question.

PRESIDENT (in Cantonese): Council is now holding the Second Reading debate on the Inland Revenue (Amendment) (Tax Concessions) Bill 2019. Please come back to the question of this debate.

MR WONG TING-KWONG (in Cantonese): Worse still, many political parties constantly forge lies to undermine and obstruct law enforcement by the Police for their own political interests and for achieving ulterior political objectives. Insofar as such behaviour is concerned, I believe the people do have discerning eyes to see clearly who is working for the betterment of Hong Kong. They will stand on the same front with the Police Force and support it in taking stringent enforcement actions to stop violence and curb disorder expeditiously for recovery of Hong Kong economy. We must make careful determination in future elections about these political parties which brought calamity to the country and the people.

Lastly, I would like to reiterate my support for the Bill and the amendments which seek to alleviate the difficulties faced by the public and SMEs by offering full reduction of salaries tax, tax under personal assessment and profits tax for 2018-2019. However, I also hope various departments of the SAR Government and members of the public will fully support the Police Force in taking stringent enforcement actions to stop violence and curb disorder, so that Hong Kong will resume peace as soon as possible and the economy will get out of the predicament early. Thank you, President.

MR WU CHI-WAI (in Cantonese): It is really an eye opener, listening to the speech delivered by Mr WONG Ting-kwong just now. Currently, Hong Kong faces the trade war between China and the United States as well as the strife and rifts internally, so comments like those made by Mr WONG Ting-kwong would not help solve the social problems.

Just consider this: According to public opinion polls, more than half of Hong Kong people gave the SAR Government zero marks in governance and they also gave the Police zero marks. At such a time, all government departments are still called upon to support the Police in using force to carry out suppression, so how possibly can we solve the problems? If political problems are not solved by political means, how can the unrests be truly quelled? When 1 million Hong Kong people made a peaceful petition on 9 June calling on the Government to desist before it is too late, what did the Democratic Alliance for the Betterment and Progress of Hong Kong say at that time? "We continue to support the Government's decision to introduce the amendments to the Fugitive Offenders Ordinance ("FOO") into the legislature for voting on 12 June." This is precisely the cause but it is not taken seriously. When 2 million people took to the streets calling on the Government to respond to the five demands, the Government

turned a deaf ear to them. Then, just as Mr WONG Ting-kwong said, it continued to support the Police in making arbitrary arrests and carrying out random beatings. They tried to solve the problem by such means but how possibly can the problem be solved?

The subject matter under discussion today is the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill"). In fact, I also wish to call on the Government to look at some phenomena. Goldman Sachs compared the deposits of the Hong Kong Monetary Authority ("HKMA") with that of the foreign residents in Singapore in its report in October. They showed that in August, about \$30 billion flowed out of Hong Kong to Singapore. Of course, we understand that \$30 billion of capital flowing to Singapore may not be a very serious situation but if we do not take such phenomena seriously and find out the causes, this is tantamount to burying one's head in the sand. Let us look at another set of figures, that is, in the same month, deposits denominated in US dollar increased to \$130 billion, so what does it mean? Does it mean that Hong Kong people have lost confidence in the Hong Kong dollar to some extent and as a result, they prefer to buy US dollars instead? Has HKMA or the Financial Services and the Treasury Bureau looked into these phenomena?

If we take another look, we will find that the numbers of people applying for offshore accounts or emigration are actually on the rise. I really wish to know what view the Government takes in respect of these phenomena. In fact, they mean that deep down, people in the whole society are expressing its lack of confidence in Hong Kong's future by voting with their feet. How should this situation be dealt with? How can a society where half of its people have given the governance by the Government zero marks be governed? In view of this, Members can see that this time, the Government has proposed salaries tax concessions and of course, this measure will serve to return wealth to the people and I also consider it desirable, so I also welcome it. If the authorities propose later on that the percentage rate of reduction be increased to 100%, I would also welcome it. However, I only wish to point out that this so-called "welcome" is very different from that in the past. The "welcome" in the past meant that the Government was returning wealth to the people and we could call it sharing the fruits of economic success. However, in respect of the present measures, many people think that since the Government is so untrustworthy, they had better keep the money in their own pockets than leave it in the Government's. If one keeps the money in one's own pocket, at least, it would not be used to support the Police in making arbitrary arrests, buying weapons and breaking young people's heads, nor would it become resources for the Government's "white-elephant" projects.

In fact, if the money is left to the Government but cannot be used to serve its purposes, should we not actually be even more generous by returning the money in the coffers to the people, the general public? It is often suggested that the SAR Government is "miserly but willing to waste it". We have misused quite a lot of money and I believe the Financial Services and the Treasury Bureau in charge of the coffers also knows this clearly. Our Hong Kong-Zhuhai-Macao Bridge came with a price tag of \$40 billion, the annual revenue is \$200 million presently and the cost of repairs and maintenance is \$2 billion, so may I ask if this investment is a success? The investment in the Guangzhou-Shenzhen-Hong Kong Express Rail Link amounted to \$90 billion, and may I know what the benefits are? Do the benefits go to Hong Kong people or Mainlanders? In fact, these are precisely the issues we must address properly. Unfortunately, each time we scrutinize funding applications, the Government would never address them properly.

In fact, if the money is left to the Government's disposal, when the coffers are inundated with money, we cannot see the authorities address the prevailing issues in society squarely. We now have a housing problem, so the Government came up with a solution, that is, to relax the loan-to-value ("LTV") ratio caps and act as a guarantor, thus encouraging the public to acquire a property, but is this measure effective? Is this prescribing the right cure to the ill, or is this trying to facilitate capital outflows? In fact, it is worthwhile for the authorities to conduct a comprehensive study of these matters, then tell us the results, rather than just making decisions in haste. The Financial Secretary proposed additional relief measures on 15 August, raising the original ceiling on reduction of salaries tax and profits tax to 100% and at that time, the Financial Secretary also said that these measures of "giving away candies" had nothing to do with the campaign of "anti-China extradition", only that it was necessary to prepare for the rainy days of the economic downturn in the future. However, I wish to tell the Government that the trade war between China and the United States broke out last year and has continued for a very long time. Originally, Hong Kong would not have been drawn into the vortex because under "one country, two systems", with the separation of the legal systems of China and Hong Kong, Hong Kong still enjoys advantages in terms of its systems and Hong Kong can still tell the whole world and the international community, through genuine "Hong Kong people ruling Hong Kong" and "a high degree of autonomy", that Hong Kong is still different from the Mainland and is still a member of the international community.

However, the Carrie LAM Administration would rather believe that Hong Kong had to play a part in this matter and made it a point to comment on this issue, so she made some unnecessary comments that may have implications for Hong Kong society when China and the United States were in a trade war. In February this year, she wanted to pull down the firewall separating the judicial systems of China and Hong Kong. The measure of proposing amendments to FOO was precisely to ... originally, Hong Kong should have been cautious by avoiding being caught in the vortex of the trade war between China and the United States and use the institutional safeguards under "one country, two systems" to avoid being caught in the storm. However, it was not the choice made by the SAR Government, and it deliberately allowed Hong Kong to be drawn into this whirlpool instead. The confrontations and clashes in the past four months were triggered as a result of this. After triggering the confrontations and clashes, the Government did not examine properly why setting up an independent commission of inquiry is infeasible either. Why is it that with 80% of the Hong Kong public telling the Government that setting up an independent commission of inquiry is the community's consensus, it still refuses to do so and instead, went out of its way to accommodate the Police with its 30 000-man force and condone them in suppressing society by violence? In taking such a course of action, can the Government live up to the expectations of Hong Kong society? Can it live up to the expectations of Hong Kong people? Can it face Hong Kong's next generation with a clear conscience? Imagine ...

PRESIDENT (in Cantonese): Mr WU Chi-wai, please come back to the question of this debate.

MR WU CHI-WAI (in Cantonese): President, I know. This is because this aspect is related to the purposes served by the amendments to the Inland Revenue Ordinance and I only wish to point this out. For this reason, I wish to point out that since the Hong Kong economy is in a downturn, it is all the more necessary for the SAR Government to address two very important factors in the economic downturn seriously, one of them being the trade war between China and the United States. Of course, Hong Kong is in a very passive position in this regard but if Hong Kong wants to be able to deal with matters positively despite this passive position, it is all the more necessary to protect the strengths of Hong Kong's systems. Mr WONG Ting-kwong made a comment which went down

well with me, that is, Hong Kong should attract more foreign investments but even in this regard, there is a premise, that is, the strengths of Hong Kong's systems can win the trust of the international community. Otherwise, the capital that Hong Kong is capable of attracting will be limited to a certain source only.

Separately, concerning the internal conflicts in Hong Kong and the issue of governance by the Government, they point to the issue of whether or not the Government can take on board public opinions effectively in its governance. We often say that there are divergent views in society but there is always a mainstream voice. Where is this mainstream voice? On this issue of the draconian "China extradition law" and the "anti-China extradition" campaign, the voice of the general public is very clear. An overwhelming majority of the Hong Kong public believe that the responsibility lies in the SAR Government failing to listen to the voices of the public on governance, and in making policy decisions, failing to consider matters that the great majority of Hong Kong people expect the Government to deal with but failing to do so, for example, setting up an independent commission of inquiry, responding to the "five demands" effectively, and so on. The Government refused to deal with these matters and put the blame on other people instead. The Government, as the department, institution or framework that made the mistake, has failed to address the relevant problem but tried to put the blame on other people, so naturally, it cannot achieve the intended effect.

Therefore, clearly, the cause of the economic downturn lies in the SAR Government and precisely for this reason, the SAR Government is duty-bound to respond to the "five demands". Otherwise, it will not be possible for the Government to really stop violence and curb disorder. Even if the Government can establish an outer calm, it cannot suppress the Hong Kong public in using various means, be it "guerilla warfare" or various boycott actions, to "play" with the Government.

Moreover, insofar as the tax reductions offered this time around are concerned, the people who stand to gain the most were originally the middle class or young professionals but unfortunately, many public opinion polls show that this is precisely the group that is the most dissatisfied with the Government. Similarly, they are also the most capable of making various choices, including emigration. Just come to think about this, Hong Kong is a city without natural resources and if the human resources that it possesses choose to vote with their feet, the difficulties confronting Hong Kong in the future will be even greater and

the gloom hanging over Hong Kong will only oppress all Hong Kong people and make them feel even more breathless. For this reason, be it the tax reductions proposed in the Bill this time around or the relaxation of the LTV ratio caps proposed recently in the Policy Address, it is actually not possible to win them over because there are most distinct choices available to them. To make them willing to stay in Hong Kong, it is actually necessary to consider clearly what will make talents willing to stay in Hong Kong. Are the transient so-called tax reductions or improvements in LTV ratios enough to make them stay in a society the core values of which they think have already all become different? If the Government thinks in this way, I believe it is holding fond hopes and this also means it has failed to keep abreast of the times, still less appreciating how desperate the public feels about the future.

The core values of Hong Kong lie in the fact that the Government functions according to rules and regulations and in an orderly manner. The public also hope very much that the SAR Government will listen to public opinion in its governance and choose its policy tools properly. In the face of political problems, it has to show courage and commitment. Commitment means readiness to assume political responsibility, and this absolutely does not mean the present practice of passing the blame to other people, and it absolutely does not mean instead of dealing with one's problems, one deals with the people pointing out the problems. I believe such an attitude precisely shows that Hong Kong will become a city that is becoming a stranger to us in the future. Here lies the single biggest cause of Hong Kong's problems.

I so submit.

MR POON SIU-PING (in Cantonese): President, I rise to speak in support of the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") and the amendments proposed by the Administration.

The original intent of the Bill is to alleviate the burden of taxpayers by implementing the one-off tax reductions in the 2019-2020 Budget to reduce salaries tax, tax under personal assessment and profits tax for year of assessment 2018-2019 by 75%, subject to a ceiling of \$20,000 per case. Subsequently, the Government became willing to provide further tax reductions by amending the Bill to increase the percentage rate of tax reductions to 100%.

According to the Government, it is willing to further revise the tax reduction measures for its desire to counter the challenging external and local economic conditions. About 1.43 million taxpayers will benefit a further saving of \$1.84 billion under the relevant tax reduction measures.

Tax reduction measures are basically the norm in budgets and have also become a basic component in the Government's policy to relieve the public's burden. However, can the tax reduction measures proposed in the Bill and its amendments achieve the expected goals of the Government, that is, to stimulate local consumption, promote social harmony, enhance competition and give taxpayers better means to care for their family members? I believe the Government is somewhat unrealistic in its expectations of the tax reduction measures. The causes of Hong Kong's deep-seated conflicts are complicated and it is very doubtful if the conflicts can be ameliorated through tax reduction measures and improvements to the taxation system intended to bridge the wealth gap.

President, in recent months, the economic and social environment in Hong Kong have seen drastic changes, with the economy seeing a downturn and the pressure on the grass roots increasing significantly. I hope the Financial Secretary and officials of the Policy Bureaux concerned can be amenable to sound advice and take on board public opinions, so as to introduce more relief measures for the public. This time around, the Government has increased the percentage rate of tax reductions to 100% by way of amendments, so I hope the measures could be implemented as soon as possible. With further tax reductions, employees with lower salaries will hopefully be relieved of all tax liability. To grass-roots workers, given the increasing pressure of living, even a saving of just a few hundred dollars would be helpful.

President, the beneficiaries of these tax reduction measures are limited to taxpayers only, so members of the public receiving low salaries or who do not have to pay tax for other reasons cannot benefit from them. I hope the Government can go one step further by introducing support measures subsequently to assist grass-roots members of the public who cannot benefit from the tax reduction measures this year in meeting their daily expenses.

President, I so submit.

PRESIDENT (in Cantonese): Meeting is now suspended until 5:15 pm.

4:34 pm

Meeting suspended.

5:15 pm

Council then resumed.

IR DR LO WAI-KWOK (in Cantonese): President, the Financial Secretary stated in the 2019-2020 Budget presented on 27 February that in order to alleviate the taxpayers' burden, he proposed to reduce on a one-off basis salaries tax, tax under personal assessment and profits tax for the year of assessment 2018-2019 by 75%, subject to a ceiling of \$20,000 per case. The Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") was later gazetted and then presented to the Legislative Council on 20 March. It mainly sought to amend the Inland Revenue Ordinance (Cap. 112) to give effect to the said proposal. Subsequently, this Council set up a Bills Committee to scrutinize the Bill. On 26 April, the Bills Committee submitted its report to the House Committee, stating that it had no objection to the resumption of the Second Reading debate on the Bill in Council.

Both the Bills Committee and the Administration made it clear at that time that they would not propose any amendment, indicating the absence of any controversy over the Bill among various sectors in society. As we all know, the Bill was originally scheduled for Second Reading (debate to resume), consideration by committee of the whole Council and Third Reading at the Council meeting on 26 June. Yet regrettably, things went contrary to our wishes. Not only was the Agenda of the Council seriously disrupted by Members of the non-establishment camp subsequently, the Legislative Council Complex was even severely damaged by rioters, thus causing delay of the Second and Third Readings of the Bill, which could not be placed back on the Agenda of the Council until today.

President, the government officials have told the Bills Committee that when formulating one-off relief measures in the annual Budget, the Administration would take into account the overall economic condition, the Government's fiscal position, the needs of various strata in society and relevant policies in a holistic manner. The one-off relief measures proposed in the Budget mentioned just now amount to \$42.9 billion, which accounts for a pretty large proportion of the consolidated surplus in 2018-2019. Hence, the Administration has no intention to make any adjustment to the one-off tax reduction measures mentioned just now.

However, according to the data released by the Administration on 30 April, the surplus recorded in the said financial year was HK\$68 billion, up by \$9.3 billion from the revised estimate of \$58.7 billion. It shows that the overall fiscal position is better than the original and revised estimates, but the surplus is less than that in the last financial year, which was \$200 billion. Meanwhile, the maximum amounts of the relief measures, commonly known as "handout of candies", including reduction of salaries tax and rates, have decreased. Many members of the public find it a bit disappointing.

President, what is of greater concern to various sectors in society is that the political disturbance triggered by opposition to the amendment exercise of the Fugitive Offenders Ordinance ("FOO") has already plagued Hong Kong society for more than four months. On 4 September, the Special Administrative Region ("SAR") Government made four actions, including formal withdrawal of the Bill seeking to amend FOO, to allay public concern. Later, it announced the invocation of the Emergency Regulations Ordinance to implement the Prohibition on Face Covering Regulation from 5 October, so as to effectively deter violent extremists from concealing their identities behind masks, thereby assisting the Police in strict law enforcement. However, as we have heard and seen, the extremists' violent clashes kept escalating. Not only did they set fires everywhere and willfully damage government buildings, facilities in MTR stations and shops, they even attacked police officers and members of the public with such lethal weapons as petrol bombs, corrosive fluid, bricks and metal poles. Seriously endangering the lives and security of property of the masses, they have caused persistent turmoil in Hong Kong society and dealt a serious blow to economic activities.

As the saying goes, "Misfortune never comes singly." The current global economy is gloomy, with intensifying trade frictions between China and the United States, increasing volatility in the financial market and rising possibility of

recession in various major economies. The weak performance of industrial and trade activities has obviously led to increasing downward pressure on Hong Kong economy. Recently, the SAR Government has lowered the forecast of annual growth in real terms in 2019 to 0% to 1%. The business environment faced by the industrial and commercial sectors in Hong Kong has rapidly worsened. Small and medium enterprises ("SMEs") are especially perplexed.

At the end of July, the Business and Professionals Alliance for Hong Kong ("BPA") submitted the proposal of "supporting the economy, safeguarding jobs and benefiting people's livelihood" to Financial Secretary Paul CHAN. We are pleased to note that the Financial Secretary, after gauging the views of the industries, promptly responded to certain concerns and aspirations in society, rolling out a series of measures in mid-August to support enterprises and relieve the burden of living on the people. In respect of relieving people's burden, the Government has raised the reduction rate of salaries tax, tax under personal assessment and profits tax from 75% to 100% while retaining the ceiling of \$20,000 per case. At the same time, each household will be granted an electricity charge subsidy of \$2,000, and tenants of public rental housing will enjoy a one-month rent waiver, etc., with a view to alleviating the burden on the grass roots and middle class in their everyday life and raising consumers' confidence in the short term.

On the business operation of enterprises, the seven new measures of the Government include: waiving 27 groups of government fees and charges for SMEs for 12 months; enhancing the SME Financing Guarantee Scheme and introducing a new loan guarantee product; and making additional injections into the "BUD Fund" (i.e. the Dedicated Fund on Branding, Upgrading and Domestic Sales) and the SME Export Marketing Fund. These measures can help SMEs alleviate the operational burden and enhance their competitiveness in the short term, thereby safeguarding jobs and boosting the overall Hong Kong economy.

It is estimated that this series of measures for supporting enterprises and relieving people's burden will incur an additional expenditure of about \$19.1 billion. In other words, the total amount involved in the one-off measures of "handing out candies" announced on the two occasions is about \$62 billion. Compared with the consolidated surplus of HK\$68 billion in 2018-2019, it is a considerable proportion.

I believe Honourable colleagues must have noted that the President has granted leave for the Secretary for Financial Services and the Treasury to dispense with the required notice and move the amendments to the Bill at the Committee stage, so as to put forward the proposal of raising the reduction rate of salaries tax, tax under personal assessment and profits tax from 75% to 100%.

As regards the other proposals like waiving government fees and charges, it may be necessary to amend the relevant subsidiary legislation and also seek funding approval of the Legislative Council. BPA expects the authorities to expeditiously follow up on and implement the relevant proposals so that the community at large and SMEs can be benefited early.

Nevertheless, we cannot help asking whether the said measures of "handing out candies" are sufficient to relieve people's burden even if all of them are implemented. The answer is self-evident. Following the escalating violence of the extremists, impacts on various sectors and industries have become increasingly notable. For example, quite a number of cultural and sports events have been cancelled or postponed one after another, thus Hong Kong's status as an "events capital" has been undermined. Instability has discouraged visitors. The number of visitors to Hong Kong has been falling non-stop. In August, the overall number of visitors to Hong Kong dropped 40% over the same period last year, with the decrease in the number of Mainland visitors reaching 42%. The business of the industry suffers a drastic fall. Many travel companies are about to close down. Recently, BPA has been in frequent contact with members of the industry, listening to and looking into their difficulties and needs. On 10 October, other Members of BPA and I met with Financial Secretary Paul CHAN and Secretary for Commerce and Economic Development Edward YAU, relaying to them the plight and operating difficulties of the industry, making suggestions and urging the authorities to expeditiously launch more targeted relief measures for the tourism sector. We are pleased to see the Financial Secretary announce the third round of relief measures for enterprises yesterday, including the provision of a fuel subsidy for commercial vehicles of the transport trade for six months and extension of the coverage of the 50% rental concession for government properties. The Commerce and Economic Development Bureau will discuss the specific support measures with the tourism sector.

The measures mentioned are estimated to incur an additional expenditure of \$2 billion. It is believed that they can help relieve the urgent needs of the industries, especially SMEs. BPA also expects the SAR Government to

continue to pay close attention to the social and economic conditions in Hong Kong, earnestly listen to the voices of the public and the industries, roll out more relief measures in a timely manner, and make continued efforts in "supporting enterprises, safeguarding jobs and benefiting people's livelihood".

President, there is yet a greater concern in society. Persistently plagued by the current street violence, most law-abiding citizens have fallen into fears and anxieties. Foreign investors and tourists also stay away from Hong Kong. Many people, including members of the industrial, commercial and professional sectors, have commented that the top priority task of the SAR Government should be to expeditiously adopt strong and powerful measures to strictly enforce the law so that normal order can be promptly restored in society. After all, to strive for prosperity and facilitate people in living in peace and working with contentment, the prerequisite is a stable and peaceful society. Otherwise, if Hong Kong economy persistently goes downward, it will be hard for the Government to have any handsome financial revenue to improve people's livelihood in the future, not to mention any surplus for giving away candies so that the public can share the fruit of Hong Kong's economic success.

Undoubtedly, to break away from the present predicament and set off afresh in Hong Kong, it is imperative that various sectors in society should expeditiously leave the political disputes aside and make concerted efforts. It is lamentable that on 1 July, the Legislative Council Complex was severely damaged by violence. Consequently, meetings of the Legislative Council and other committees (including the Finance Committee) originally scheduled for July, and also proposed additional meetings, could not be held. We have worked hard to restore the Complex. Many members of the public have relayed to Members of different political parties and groupings in the pro-establishment camp their hope that various issues concerning the economy and people's livelihood in Hong Kong, be they Bills or funding applications, can resume scrutiny upon restoration of the Legislative Council Complex. They do not wish to see Hong Kong being dragged down by filibustering and violence in the Council apart from being molested by street violence.

Regrettably, as we have seen, since the commencement of this legislative session, even the Chief Executive's presentation of the Policy Address and the relevant Question and Answer Session could not proceed properly in this Chamber. Elections of the Chairman and Deputy Chairman, be it in the Finance

Committee, the House Committee and some of the Panels, have been delayed to varying extents. I am most worried about such delay. I believe members of the public really expect the Legislative Council to expeditiously resume its normal environment and procedures of deliberation.

As a matter of fact, the Finance Committee has been bogged down in a backlog of various funding applications from the last legislative year, including works projects of over \$70 billion which have already gained the support of the Public Works Subcommittee but are pending funding approval of the Finance Committee. It is estimated that about 14 000 jobs were at stake. These projects include the construction of hospitals and community halls, and improvement of drainage services, which are closely related to the people's living. Indefinite delay in funding has also caused insufficient work for construction workers, directly affecting the vitality of the engineering and construction industries. This is absolutely no alarmist talk. Earlier on, the Hong Kong Construction Industry Employees General Union pointed out that bogged down by the regrettable filibusters in the operation of the Legislative Council in recent years, various livelihood measures which should be implemented were yet to be implemented. Coupled with the social turmoil which had persisted for months on end, the industry was thus in dire straits and announced that starting from 1 November, the pay for 15 job types would be frozen across the board. It happened for the first time since 2007. It was estimated that about 350 000 workers would be affected. For this reason, the industry strongly urged Members of the non-establishment camp to let the Legislative Council resume its normal operation as soon as possible and expedite the vetting of funding applications of works projects so that the amount of funding granted for the projects of the industry would not be sometimes high and sometimes low, causing industry practitioners to be burnt out at one time and starved of work at another.

President, I sincerely expect and call on Members to expeditiously set aside political differences, stop meaningless arguments and do solid work for the people's livelihood. It is only then that Hong Kong society can develop in a sustainable manner, members of the public can live in peace and work with contentment, and opportunities of upward movement can be created for the new generation, thereby helping to resolve the deep-seated conflicts accumulated in Hong Kong.

With these remarks, President, I support the passage of the Bill and the amendments to be moved by the Administration.

MR CHRISTOPHER CHEUNG (in Cantonese): President, this Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") originally concerns the tax reductions introduced by Financial Secretary Paul CHAN in this year's Budget in response to the economic condition at the time, with a view to benefiting taxpayers. It was planned that the Bill be tabled before the Legislative Council for discussion and passage at its meeting on 26 June. But due to the siege of the Legislative Council on 12 June and the wanton sabotage of the Legislative Council Complex on 1 July, this Bill can be tabled to this Council for discussion and passage only now after completion of the repair works carried out in the Legislative Council Complex against the clock during summer.

I think the middle-class people and the taxpayers are all eager to see the early passage of the Bill because Financial Secretary Paul CHAN announced some time ago that the reduction of salaries tax and profits tax will be increased from 75% as originally proposed in the Budget to 100%, though maintaining the original ceiling of \$20,000 per case, in an effort to ease the impasse caused by the row on the legislative amendment and further alleviate the burden on taxpayers. Therefore, wage earners with a low income or small business operators making a small profit do not have to pay tax in the tax season next year.

I consider this relief measure proposed by the Financial Secretary most meaningful, like sending in charcoal in snowy weather. It is because after the eruption of the controversies over the Fugitive Offenders Ordinance, the past several months have seen unceasing demonstrations and conflicts. Rioters set fires everywhere, vandalized MTR stations, wrought havoc everywhere, burned and robbed shops, and laid siege to the airport. Tourists are deterred from coming to Hong Kong and even the local citizens are afraid of going out for spending, leaving the market awfully quiet. Many people who live from hand to mouth and the tourism, retail and catering industries and their employees have suffered a substantial drop in their income. This has put them under great pressure in living and business operation.

In this connection, thanks to the two rounds of relief measures introduced one after another, 1.43 million taxpayers and enterprises will benefit from a further saving of \$1.84 billion in tax. These measures are timely assistance that alleviates the burden on many small business operators and grass-roots citizens.

I think the tax reduction capped at \$20,000 for each individual or business operator is actually just better than nothing because the sustained turmoil alone, having persisted for four months, has already taken away the jobs and hence income of business operators and grass-roots workers. Their loss of income is likely to reach over \$20,000.

As the Financial Secretary who has just returned from an overseas visit said in his blog yesterday, "The International Monetary Fund and representatives of businesses and the investment sector have reached a consensus almost unanimously that the global economy continues to be in a synchronized slowdown. Any worsening of trade tensions and the geopolitical conditions would mean an even greater pressure of global economic downturn." Added to this is the sustained unrest in Hong Kong domestically. With these factors plaguing us both internally and externally, the alarm has long been sounded for the Hong Kong economy.

In fact, both the Financial Secretary himself and the Secretary for Commerce and Economic Development, Edward YAU, have already forewarned us about zero economic growth for the whole year. The current situation is the worst over the past decade. Darkness is still around us and we have yet to see the end of the tunnel. I have no idea when we can see the light again.

Therefore, not only do I support the amendment proposed by the Government today of increasing the percentage of tax reductions from the original 75% to 100%, I also support the Government enhancing the assistance for industries and business operators affected by the continual turmoil. Their revenue has dropped considerably but they still have to meet a lot of overheads, not to mention the losses arising from their shops being vandalized and their insurance claims for compensation being rejected. Even though their employees are prepared to ride out the storm together by tightening their belts and the landlords are willing to reduce rents, they cannot hang on any longer if the market continues to be sluggish and business remains poor, in which case the economic winter will turn into the ice age and by then, a large number of small and medium enterprises ("SMEs") will have to close down, and waves of massive layoffs will be triggered at any moment.

President, to address the problem at root, I think the best approach is to stop violence and curb disorder because the relief measures can provide only transient relief. If the market conditions continue to be chaotic and people are wary about going out in the evening for spending and feel deterred from going

out during weekends, the gravity of the situation would surpass that during the SARS outbreak, in which case whatever relief measures proposed would be useless. The situation can be likened to a patient with massive blood loss. The first thing to do should be to expeditiously find ways to stop his bleeding. Otherwise, no matter what is done to give the patient a blood transfusion or how many rounds of relief measures are introduced, probably it would still be useless and nobody knows for how much longer this patient can hang on.

Therefore, in the face of this unprecedented riot, I can only hope that the authorities can step up efforts in upholding the rule of law, strengthen the Police's enforcement capabilities and enhance the protection of people's lives and property, in order to restore order and peace early in society. Only in this way can the affected industries have the opportunity to make recovery, and only in this way can genuine improvement be hopefully made to the living of the grass-roots wage earners. Regrettably, so far I have seldom heard anyone express confidence in the Government's ability to effectively stop violence and curb disorder because all that we have seen is only sustained unrest and continual escalation of violence, leaving the frontline policemen exhausted, and worse still, they often face unreasonable accusations from the media and some members of the public. On the Sunday just passed, for instance, the Police found four cases involving suspected bombs, one of which even had to be detonated in a downtown area, while cases of petrol bomb on a single day even exceeded 100 in number. To put it bluntly, Hong Kong seems to have become a city of horror. Therefore, if the Government still does not seriously think about how to end the riot, it would be difficult to save Hong Kong.

It happens that Christmas and the Chinese New Year are not too far apart from each other this year. If the prevailing chaos could not be settled expeditiously, I believe when this golden holiday of consumer spending slipped by, we would really be seeing an economic storm sweep across us. Even if a fourth, fifth or even sixth round of relief measures were rolled out, they might not be able to rescue the Hong Kong economy.

Coming to this juncture, I wish to point out that SMEs in the securities industry and other sectors are likewise affected by the sustained unrest over the past few months. Investors have been deterred and transactions in the stock market overall have declined but our industry has not been provided with any support in the three rounds of relief measures. Therefore, we hope that the Financial Secretary will put forward relief measures targeting at the securities

industry in the Budget to be announced next year the latest. Do not leave us in the cold anymore. The Government should grant us a full waiver of the licence fees, so that our burden can be eased.

As the golden period of consumer spending in Christmas is approaching, we should earnestly identify ways to restore social order and rebuild the confidence of the public and visitors in consumption. Besides, in the new Budget to be announced next year, the Financial Secretary should increase the vigour of relief and giveaway measures. For instance, the ceiling of salaries tax reduction can be increased to \$30,000 as in the past while maintaining the maximum percentage of reduction at 100%. This will enable some middle-class people to benefit from the tax reduction. The rates concession for shop premises should also be increased substantially in order to help the affected members of the public and business operators and enable them to brave the economic winter, the end of which has yet to be seen.

Furthermore, given the extensive and far-reaching impacts of the sustained riots, I agree to the proposals made earlier by two Honourable colleagues, which called on the Government to consider introducing one-off relief measures to benefit small business operators who had paid profits tax before but need not pay it this year due to an operating loss. It is because they are very much in need of support from the Government. I hope that the Financial Secretary will, in introducing the next round of relief measures or in the coming Budget, adopt the mindset of making a breakthrough in assisting business operators and general members of the public in straitened circumstances, in order to provide them with additional support.

With these remarks, President, I support the early passage of the Bill, so that taxpayers can promptly benefit from the tax reductions before the tax season next year and have their financial burden alleviated.

MR AU NOK-HIN (in Cantonese): Mr LEUNG, Honourable Members, good afternoon. I believe all of you must be aware that I may not remain in the legislature for long and may disappear anytime, which may be a piece of good news to you, or you may feel very happy. But it does not matter. I make this undertaking to all of you today at the commencement of the new session that I will duly discharge my duties and perform Council work properly as long as I am still serving as a Member of the Legislative Council.

Regarding the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") under examination today, I have also paid attention to the expositions by various Members. I interpret the entire Bill in this way and have the following views. I think all of us should look at the background in relation to the concessions of salaries tax, tax under personal assessment and profits tax, etc. Glancing through the documents, it seems that the measures will benefit many people. In fact, a great many people would be benefited every year, including the initial measures which will benefit 2.05 million taxpayers or enterprises, costing \$18.9 billion in total. Many Members have mentioned that an additional 1.43 million taxpayers or enterprises will be benefited if the tax reduction rate is increased from 75% to 100%, subject to a ceiling of \$20,000 per case, and the amount involved is as much as \$1.8 billion.

Yet, let us not forget, where did the entire measure originate? When Paul CHAN announced the Budget in late February 2019, he was severely criticized by a good many of us. Both the pro-democracy camp and the pro-establishment camp have a lot of opinions. For instance, the Budget only focuses on investment in innovation and technology, as the Government may probably believe that investing in the emerging industries can bring about new momentum for economic growth; it thinks in this way. However, the recurrent expenditure in many other aspects, including land, housing, health care and social welfare, has long been criticized as being insufficient. People even made a barrage of criticisms of some social welfare measures, especially the measure to acquire properties. Is the acquisition of properties really useful to social welfare?

Regarding the "giving away of candies", many people have also criticized the relevant measures as even less attractive than those implemented in the previous year. Why are they less attractive than those in the previous year? The amount of certain subsidies has indeed been increased, for example, the student grant has been increased from \$2,000 to \$2,500, and the accumulation limit of the Elderly Health Care Vouchers has been increased from \$5,000 originally to \$8,000. Yet, we should not forget that, taking social security as an example, a one-off extra payment equivalent to two months' standard rate was granted in the previous year, but recently a one-off extra payment equivalent to one month's standard rate is granted in 2019-2020, while these tax concessions are not more generous than those offered in the past. That said, as we see it later, is the Government reluctant to do so? It is not the case either.

Recently, Paul CHAN has also introduced some new economic relief measures, especially on 15 August 2019, that is, after the onset of the "anti-extradition to China" campaign and 10 days after the strike on 5 August, he told us, "The demonstrations have led to the economic downturn of Hong Kong", a point repeatedly mentioned by many Members of the pro-establishment camp just now. Yet, thinking that the Government hoarded a lot of resources, he suddenly told us that all salaries tax and profits tax would be exempted, an electricity tariff subsidy of \$2,000 would be provided, a one-off extra payment equivalent to one month's standard rate would be provided for the Comprehensive Social Security Assistance, a one-off subsidy to the "N have-nots" would be provided, whilst a student grant of \$2,500 will be provided for primary and secondary students. The support has indeed been beefed up. Despite the enhanced support, we have seen that the entire process of policy formulation can only be described as piecemeal, without a set of systematic measures to deal with the economic problems we now face.

Is it the very first day that we learn of the economic downturn? We have been talking about this since early this year. There was neither the "anti-extradition to China" campaign nor the amendment exercise of the Fugitive Offenders Ordinance back then. We have been talking about the China-United States trade war affecting Hong Kong and the global economy since the beginning of this year. In fact, I can see that when Honourable Members talked about the economic problems just now, many of them laid the blame on the protesters for causing riots, and on Members of the Legislative Council for engaging in filibustering. But let us take a look at what many economists have actually told us, the reasons why Hong Kong economy is facing such problems—I am not saying that the recent demonstrations do not have any impact, they would certainly deal a blow to several industries, such as the catering industry and the retail industry—but to a great extent, it is the result of the impact brought about by the global economy. The plunge in the stock market today is not the fallout of someone taking to the streets to protest, such that people refrain from making investments as a result. The plunge in the stock market today is actually the result of a drop in the European stock markets and the A-share market. Therefore, we cannot put the blame on the demonstrations once and again.

Coming back to the issue of tax concessions, actually I wish to quote to Members a book published by Chung Hwa Book, and please do not mistake it as a book provoking ideas of acting against China and stirring up troubles in Hong

Kong. A chapter of the book titled *Hong Kong Experiences Series* (《香港經驗叢書》) talks about the "political economics of social security in Hong Kong". I think this article serves as a rather appropriate starting point for criticizing the existing taxation policies. It mentions that in Hong Kong, the taxation policies we are now talking about, including some tax concession policies, are not systematic in fact. In the end, they do not really enable enterprises and members of the public to make the economic gains they deserve. It points out that many studies on welfare issues have classified the policy arrangements of East Asian countries into one category, which is different from the welfare system in the West. They often describe the experiences of these East Asian countries as "developmental welfare state" and "productivist welfare capitalism".

Hong Kong is also classified into this category of welfare approach or taxation approach although it is not a country. It is because many places in East Asia are authoritarian political regimes, whilst the problem with an authoritarian political regime lies in the fact that it puts development, growth and production before the well-being of the people. As a result, the government would only focus on growth in the formulation of taxation policies and even many economic policies, but relatively less emphasis is put on the part which is actually beneficial to people's livelihood.

What is a developmental welfare state, and what are its features? The article points out that, first, it seeks to assist in maintaining the legitimacy of a non-democratic political regime. The public would be very happy when the government "gives away candies", resulting in their stronger support for the government. Second, economic growth serves as an important indicator of the main tool in formulating these taxation policies, while pursuing national development is the ultimate goal. In addition, other features also include welfare policies being regarded as a social investment to promote reproduction of capitalism, which is characterized by a low degree of equality. What is a low degree of equality? It means that the poor cannot really get any benefit, or even only enterprises or wealthy people stand to benefit relatively. The proportion of social expenditure is low, which is also observed in Hong Kong. At present, the recurrent expenditure of Hong Kong society is lower than that of many other comparable economies. Such a welfare approach must maintain low wages growth and high labour flexibility. This is exactly the case seen in Hong Kong where the recurrent expenditure is low, such that only short-term welfare targets can usually be achieved.

Therefore, we have to ponder over why we need to implement the Low-income Working Family Allowance or the Work Incentive Transport Subsidy Scheme. If we have a robust social security system, or a welfare policy with a higher degree of equality, there is no need to conduct vetting on various aspects on members of the public. Take the previous \$4,000 disbursement in Hong Kong as an example, vetting has to be conducted of various aspects and now they even say that tens of thousands of application forms have been found missing. Is such a welfare policy not too stingy? As growth is the primary objective, but the measures that can really benefit the public are very stingy, so it gives rise to the tax concession policies currently under discussion. We can see that, in respect of the tax concession policies such as concessions of rates or salaries tax, the wealthier class can in fact enjoy more of the benefits, whilst the grass roots or the "N have-nots" can also enjoy the benefit, the amount is very limited. This concept will lead to several problems in the long run.

According to this article, first, Hong Kong has a highly open investment environment, with the foreign direct investments in it accounting for the highest proportion of gross domestic product among the "Four Little Dragons" in Asia. But the problem is, such a welfare approach is extremely vulnerable to global trade competition and impacts on the financial market. The Government failed to learn a lesson during the Asian financial turmoil in 1997 and the global financial crisis in 2008, in that it continues to pursue such a fiscal approach, attempting to deal with the problems by "giving away candies", which is a shortsighted measure. Extreme wealth disparity has given rise to the bitter public grievances.

Many people often suggest that public investment should be increased when problems arise, but actually we have not done so. Some people claim that this is the Keynesian approach, but in fact we have never pursued such a practice through and through. I reckon it as an approach of "waiting for death", since we are not able to overcome the global economic challenges without increasing recurrent expenditure.

Second, such a fiscal approach places a very strong emphasis on individuals' responsibility in the market. Why only tax concession is provided? Individuals may be granted concession in salaries tax, and enterprises may also be granted tax concession. Individuals or enterprises eligible for these concessions can enjoy the benefit, but this is not a wide system covering everyone, such as a

social insurance or social security scheme. These practices have brought about a characteristic in Hong Kong, that is, the commitment to health care, housing and education certainly accounts for a considerable share, but social security and labour protection are so backward.

We often talk about social conflicts. Today I will not follow Mr WU Chi-wai in bringing up a host of political issues, as the Government is still unable to solve such problems even those staunch supporters of China and the pro-establishment have attempted to simplify all political and economic issues as problems with not being able to acquire a flat or not being satisfied on the economic front. It is because such a concept has exactly given rise to the extreme wealth disparity, but the provision of tax concessions cannot really benefit all social strata; it just cannot reach the crux of the matter.

Therefore, this article came to the conclusion that if non-recurrent expenditure is made to meet new social needs, enterprises will then pass the problems onto the workers by making use of the flexibility of labour relations and suppressing wage growth. The result reveals that the Government has failed to deal with the relevant problems with the fiscal discipline in which it takes pride, while the institutional development of social security in Hong Kong is also hindered. We often say it is necessary to stimulate the economy, and many people say it is necessary to promote economic development, but we cannot ignore social needs of the local community in the course of promoting economic development.

What is more, I would like to respond also to one point. Can we resolve the problems solely by means of financial or tax concessions? The answer is obviously no. I recommend Honourable colleagues to read an article written by Dani RODRIK, professor of the Columbia University. He asked a very important question in that article: "Why do more open economies have bigger governments?" His question is, why would more open economies give rise to larger governments in the end? The existing argument is that this will not lead to the emergence of a larger government, but a small government should emerge instead. According to his analysis of the causes, in general, governments all over the world have a relatively bloated structure. It is not because there are a lot of redundant staff, but they have to deal with many economic risks, or they have to employ numerous measures to incentivize investment in the local economy, with a view to bringing true benefits to the local economy.

Therefore, when Honourable colleagues have all along put the blame on the SAR Government for failing to do a proper job of stopping violence and curbing disorder, in fact, I think that is not the problem. The problem lies in whether, from beginning to end, the fiscal policy of Hong Kong has actually implemented any corresponding measures targeted at the global economic downturn? Regarding the issue of recurrent expenditure, should it be resolved solely by means of tax exemption, or should more investment be actually put into society?

I can only conclude my speech with two sentences: First, attracting more inward investment cannot be accomplished through tax concession alone. According to this article, expenditure should be increased instead. Second, concessions which are non-recurrent in nature cannot really benefit members of the public.

Lastly, I would like to say a few more words. Many friends have talked about how to handle the disputes we now face. I often say that the questions of whether the Government would accede to the five demands, and whether it would make timely responses to the core tasks that members of society request it to perform, are in fact related, to a certain extent, to the current chaotic situation in society. If the Government really accedes to the five demands, I believe the prevalent chaos in society will be resolved.

MR JEFFREY LAM (in Cantonese): President, I support the implementation of tax concession measures by the Government, and I hope that the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") can be passed as soon as possible, so that the public and enterprises may benefit.

The current situation of Hong Kong is in dire straits, so to speak. When the Government announced the Budget early this year, I believe most of the people could not have expected that the present situation would occur in Hong Kong. The demonstration against the amendment of the Fugitive Offenders Ordinance has developed into protests and riots against the Government and supporting Hong Kong independence. Despite the rhetoric employed, the wicked acts of rioters, namely, arson, assault on passers-by and vandalizing of public facilities and shops, in destructing the community are fully exposed. Rules and order in society have disappeared. And the current economic plunge is obvious to all.

The tourism industry has all along been very important to Hong Kong. Yet, the violent acts mentioned have prompted a number of countries to issue travel alerts against Hong Kong. Moreover, tourist arrivals plunged in the past few months while industries relating to tourism, like the retail, hotel and catering sectors, are sinking down in gloom. Many exhibitions and business conferences scheduled to be held in Hong Kong have been forced to cancel or move to other places.

We see the sabotage of traffic lights or transport systems which has caused a number of traffic accidents. Now, many people dare not go out at night, for they do not know when riots will break out. Every weekend, rioters will stir up disturbances throughout the territory, so the public cannot but stay home for safety sake. Many economic activities in the community are seriously affected. Many owners of small and medium enterprises ("SMEs") say that they are suffering significant losses every month. The businesses they established by hard work and their wealth have been eroded by the losses incurred in the past few months. Now, they have lost everything. The closure of enterprises will naturally affect the livelihood of numerous employees. Recently, many employees have to take no-pay leave or even face dismissal. We feel helpless and anxious about the situation.

The Business and Professionals Alliance of Hong Kong ("BPA") proposed to the Financial Secretary this year that the Government should provide tax reduction of up to \$35,000, yet the tax reduction offered this year has been reduced from \$30,000 of the previous financial year to \$20,000. I know many members of the public and SMEs are somewhat disappointed. In August, in view of the situation, the Government announced increasing the tax reduction percentage rate from 75% to 100%, which can be regarded as a breakthrough. In the past, we had urged the Government from time to time to go all-out in implementing tax reduction, and as it desires to benefit the public, the best approach is to offer full concession direct. If only a three-quarter tax reduction is offered, the Inland Revenue Department ("IRD") must issue tax demand notes to the public and collect tax payment, which will not merely increase a considerable amount of administrative cost but also give the public the impression that the tax reduction is neither fish nor fowl. In my view, if the Government should introduce tax reduction in future, any tax payment not exceeding the ceiling should be waived in full directly, for this will be more straightforward and convenient to both the public and IRD.

It is true that the tax rate in Hong Kong is low, yet the living cost of the public is high. This is particularly so for the middle class who are paying substantial amounts of tax but receiving minimal welfare. On the one hand, they have to support their elderly parents and on the other, they have to take care of their children and provide for their education. Though they are earning a handsome income, their expenditure is also heavy. These households which are paying tax amounting to tens of thousands of dollars are definitely ineligible for subsidized housing. The only relief measure which the Government may provide for this group of middle class is tax reduction. Hence, the Government must appreciate the situation they face in daily life and the expectations of the public for tax concessions.

President, the recent protests revealed that, the public, including many in the middle class, are dissatisfied with the community of Hong Kong in various aspects, showing considerable grievances. Regarding the contribution and commitment made by the middle class to society, the Government should accord recognition instead of demanding them to lean on their own due to their financial capacity. Certainly, the priority tasks of the Government are to utilize resources, promote economic development and improve people's livelihood, so that all strata of society will benefit. Given the ageing population in Hong Kong, welfare resources will inevitably be tilted. When livelihood services provided by the Government can hardly meet the demands of people most in need, how would the needs of the middle class be taken care of? Yet, the middle class also have various needs, such as child care services, quality education and medical services, and the employment of foreign domestic helpers to take care of their family, and so on. Since the Government cannot provide such welfare, middle-class households have to procure services in the private sector, such as taking out medical insurance and selecting whole-day kindergartens for their children. They have to pay for each of these services which are not inexpensive, so tax concessions will allow them to have more money at hand and less strapped at cash. For this reason, I hope the Government will be more lenient to the middle class when it considers introducing tax concession measures next time.

President, some time ago, the Legislative Council passed a number of Amendment Bills to the Inland Revenue Ordinance ("IRO"), which included increasing tax deduction for voluntary health insurance and annuity premium schemes to allow the public to have more choices. I think it is desirable to use tax deduction as an incentive to induce the public to make their choices in making long-term preparations for their retirement and medical needs. However, some

members of the public do not know clearly which items are eligible for tax deduction. After all, tax deduction is less direct than tax rebate. The Government needs to step up its effort in promotion and explanation. Moreover, the content of voluntary health insurance schemes and annuity premium schemes should be attractive and better than similar products available in the market to incentivize the public to select these options. This should not be done the other way round, for the public will not select schemes not suitable for them merely for the sake of tax deduction.

President, as for SMEs, the profits tax reduction is also very important. Though the overall economic condition in Hong Kong is still satisfactory for the time being, various trades and industries are facing different kinds of challenges. In times of adversity, SMEs will become very fragile. In some cases, it is like a good man hamstrung by lacking a penny. Against the background of the global trade war, particularly when extra tariffs have been imposed on Chinese products by the United States for some time, many trades and industries have been affected. Adding to this the continual chaos in Hong Kong, we are in a predicament internally and externally. We reckon the trade disputes will continue for some time while some people even predict that it will become the norm. The instability in the market will inevitably affect businesses, and many companies have thus adopted a watchful attitude.

Some time ago, the Government accepted BPA's proposal of implementing the two-tiered profits tax regime and many SMEs have benefited from this. Due to the profits tax reduction, SMEs can save \$20,000 to \$30,000 every year, which is a relief to them. President, tax reduction and tax deduction are definitely better than giving a cash handout. The measure of giving a cash handout is very complicated, as it incurs considerable administrative cost and can only reach the pockets of the public after a long time. The Government should re-examine the suitability of adopting this approach.

As always, the business sector is concerned about the disadvantaged in society, so it agrees that the Government should assist the needy in society while striving for economic development. Yet, welfare policies should be in line with principles while welfare expenditure should not be increased unlimitedly, and the Government should make spending where it is due. I believe there must be other measures better than giving cash handouts. In the face of the ageing population and the decline in working population, will the economy of Hong Kong be able to rise to the various challenges in elderly care, health care and

housing in the long run? Though Hong Kong's fiscal reserves now amount to a thousand billion dollars, the Government has a lot of accrued payable items and its annual expenditure is enormous. The current fiscal reserves cannot last for eight or 10 years but only one to two years. Hence, we still need to have a stable income. We definitely know that the thousand billion dollars of fiscal reserves and the Exchange Fund need to be used for stabilizing the financial market. Yet, we also consider that the Government may study the introduction of long-term policies to boost the people's confidence in the future.

President, the measure of "giving away candies" is merely short-term. We have to invest for the future. Such investment for the future entails comprehensive and holistic thinking, so as to make our tax regime give impetus to development in society. The incessant violent protests, the deliberate attempts to smear Hong Kong and the biased reports of foreign media on incidents in Hong Kong have significantly affected Hong Kong's international image and caused adverse impact on attracting inward investment and talents from overseas. Hence, we have to tell the world the objective truth that Hong Kong is still a very good place. We have to make proactive use of tax measures to attract enterprises and talents to Hong Kong. Since our simple tax regime and low tax rate have all along been the selling point of Hong Kong, efforts should be stepped up in promoting these aspects while constant improvements should be made to enhance the appeal of our tax regime, so that overseas countries will choose to develop their businesses and even set up their regional headquarters in Hong Kong. The Government may also seize the once-in-a-century opportunities now provided in the Guangdong-Hong Kong-Macao Greater Bay Area to attract foreign investment to Hong Kong and make full use of our financial and trade platform.

Having made all these remarks, President, IRD will soon issue tax demand notes for the coming year. Not till the Bill is passed, the tax reduction and tax payable after reduction cannot be shown on the tax demand notes. I hope that the Bill will be passed expeditiously today or tomorrow the latest for the implementation of the relevant measures, so that IRD may carry out the tax concession work effectively.

President, I so submit.

MR HOLDEN CHOW (in Cantonese): President, I speak in support of the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill"). The Bill seeks to alleviate the burden on taxpayers. In the 2019-2020 Budget, the Government proposed one-off reductions of salaries tax, tax under personal assessment and profits tax for the year of assessment 2018-2019, subject to a ceiling of \$20,000 per case. The Bill mainly seeks to implement these proposals.

The proposed one-off tax reductions for the year of assessment 2018-2019 are estimated to benefit 1.91 million taxpayers of salaries tax and tax under personal assessment, and 145 000 tax-paying corporations and unincorporated businesses. The revenue forgone amounts to a total of \$18.9 billion, of which \$17 billion involves salaries tax and tax under personal assessment, and \$1.9 billion involves profits tax. The reductions will be reflected in taxpayers' tax payable for the year of assessment 2018-2019. Later in the Committee stage, the Government will make a further amendment to the effect that the tax reductions for the year of assessment 2018-2019 will be increased from 75% to 100%. This further measure is estimated to benefit 1.43 million taxpayers or enterprises, and the wage earners in Hong Kong can save an extra \$1.84 billion in tax.

President, I personally support the proposals in the Bill and the amendment to be proposed in the Committee stage of further increasing the percentage rate of tax reductions from 75% to 100%. Of course, there are views questioning whether any practical assistance can be provided by merely increasing the percentage rate of tax reductions from 75% to 100%. I personally think that in any case, an increase in the percentage of tax reductions is to a certain extent helpful to the sandwich class. Having said that, I must point out here that under the current economic conditions, these tax reductions are too inadequate to address the pressing needs.

President, Hong Kong now faces a critically adverse economic environment. The serious controversies and riots that have occurred in society for the past four months successively have dealt an utterly heavy blow to the overall business environment and also various industries and sectors in Hong Kong. The statistics of the Government alone reveal a decline of the retail market for seven months in a row, with the year-on-year decrease rate gradually expanding. As shops have been disturbed one after another in many attacks targeting them in the riots and some operators even have to frequently close their

shops and stop doing business, the operation of the retail and catering industries have become increasingly difficult. According to the statistics of the Government, the value of total retail sales in August is provisionally estimated at \$29.4 billion, showing a substantial year-on-year decrease of 23% over the same month in 2018. This is also the steepest year-on-year decline for a single month on record since 1981.

Industries such as tourism, retail and catering have been seriously affected, and the overall economy continues to remain in the doldrums. I am deeply concerned that some companies will be caught in waves of layoffs and closures. If the economy continues to worsen, the unemployment rate will keep rising rapidly in future. We have noticed that the unemployment rate increased to 2.9% in August. While it was said to be a slight increase then, we have to note the fact that this is an increase recorded the first time for the past two years, and according to past experiences, the unemployment rate may, as it moves up, ascend very rapidly. Therefore, we can see that a strong alarm has already sounded for the economy and even for members of the general public, especially the grass-roots wage earners.

President, apart from the riots occurring frequently over the past four months which caused the Hong Kong economy to face high risks, Hong Kong also faces the trade conflicts between China and the United States in the external environment. The China-United States trade war constitutes a most significant external objective factor which will bring immense risks to the Hong Kong economy. Over a period of time in the past, President, the Democratic Alliance for the Betterment and Progress of Hong Kong has repeatedly communicated with the SAR Government in the hope that support can be provided for the small and medium enterprises ("SMEs") on the economic front. We hope that the Government can adopt measures to enable SMEs to survive under the present circumstances.

First, we hope that the Government can take the lead to consider reducing by half or substantially the rent of properties under the Government Property Agency ("GPA") for six months or a year. We hope that other major landlords in society will respond positively by reducing the rent of their shop premises also for six months to one year, so that SMEs in Hong Kong, especially retail shops, can be given a breathing spell. During the outbreak of SARS, quite a large number of major landlords were also willing to reduce the rent of their properties by 30% to 50% for about six months. Certainly, the Government also

announced measures back then to, among others, reduce by half the rent of shops or wholesale market stalls under GPA or on government land for community use. But this, in our view, is inadequate, for we hope that the Government can induce major landlords in society to follow suit by reducing the rent of their properties, in order to enable more SMEs in the retail sector to tide over the difficult times.

Second, we hope that the Government can communicate more with the banking industry and make banks provide support for SMEs in taking out loans, thereby enabling SMEs to survive this period. In particular, assistance should be provided for meeting their cash flow needs because we understand that many SMEs are precisely facing cash flow problems. We hope that the banking sector can make more accommodative lending arrangements to enable SMEs to overcome their difficulties. I understand that the Government and the Hong Kong Monetary Authority repeatedly expressed some time ago the wish that support could be provided by the banking sector. I hope that the banking sector can really respond to this appeal.

Meanwhile, we hope that, the Government will make special fund arrangements to mainly provide support for SMEs, apart from the tax reductions. For example, in respect of employees, if SMEs do not have the means to continuously meet the wage costs in long term, will the Government consider providing support to SMEs in the form of an allowance during this period of time for them to arrange training for their employees? In this way, SMEs can at least retain their staff through the provision of training until the measures taken to stop violence and curb disorder have achieved results, peace is basically restored in society and the economy has started to turn the corner. This way, employees will not be dismissed and can continue to stay in the company during this period of time. The company can retain their employees through the provision of training with an allowance provided by the Government through a particular fund. This will enable employees to keep their jobs, thereby providing assistance for SMEs and also lending support to the wage earners.

President, we also hope that the Government can, under the current circumstances, remove various restrictions and regulations, in order to provide support for SMEs. In respect of taxation, apart from the tax reductions mentioned by us earlier, the Government has also put in place many funds, including the Dedicated Fund on Branding, Upgrading and Domestic Sales or the BUD Fund, SME Financing Guarantee Scheme, SME Export Marketing Fund, and so on. We understand that the Government has introduced these measures

and policies but we have received views conveyed by many SMEs that the formalities and procedures of applications for these funds are rather cumbersome. In this connection, we hope that the Government can streamline these measures by all means, in order to make it easy for them to submit applications, and particularly in view of the present situation which is quite difficult, we hope that the SAR Government can further take on board this suggestion and reduce the requisite procedures in order to help SMEs by all means.

President, in view of the current economic conditions in Hong Kong, we have repeatedly put forward various counter measures to the Government. We hope that the SAR Government can actively respond to us, in order to help the general public and SMEs overcome their financial hardships. Having said that, I agree with many pro-establishment colleagues who said in their speeches today that it is most important to stop violence and curb disorder. We hope that the rule of law can be fundamentally restored in society and that social order and peace can be basically restored. Now we can hear many people say that they do not dare to go out because they have seen too many incidents happening during weekends in which petrol bombs were hurled, shops vandalized and automatic teller machines wrecked, and there were people setting fire and even initiating attacks on other people who hold different opinions. When people do not see eye to eye with each other, they may simply fight each other to settle their disputes privately, and people may even be beaten up for holding different opinions. We believe these incidents have already caused great fears among the public.

President, we hope that the SAR Government can drum up the resolve to implement measures to effectively stop violence and curb disorder. We understand that the Police are under tremendous pressure presently and it is no easy task for them to deal with the current situation. We hope that the SAR Government can be resolute in introducing measures to stop violence and curb disorder. We also hope that violence will cease to escalate continually. In fact, we must understand that irrespective of the reasons, continued violence will only do harm to many innocent people and wreak havoc on our city ultimately. I hope Members will understand that resorting to violence for whatever reasons will ultimately damage our home and continuously do harm to many innocent people. Therefore, I hope that the community as a whole and all strata in society can unequivocally and jointly make an appeal to end violence, in order to truly stop violence and curb disorder and hence enable social peace to be basically

restored and public order as well as the rule of law, to be basically restored in society. Otherwise, the entire Hong Kong society will only be plunged into riots and contentions incessantly and this will eventually ruin our home—Hong Kong.

President, I so submit.

MR LUK CHUNG-HUNG (in Cantonese): President, the examination of the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") should have been completed in June before the summer recess. As we all know, there have been numerous violent demonstrations due to the controversies arising from the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019. Worse still, the Legislative Council Complex was invaded, vandalized and ravaged by a large number of rioters on 1 July, causing the operation of the whole Council to come to a halt. The examination of the Bill could not be resumed until today.

Hong Kong has been traumatized. The most pressing task now is, indeed, to heal the wounds, stop violence and curb disorder expeditiously. Certainly, tax concessions, in particular, the additional tax concessions announced by the Government in August to increase the reduction of salaries tax, tax under personal assessment and profits tax from 75% to 100%, subject to a ceiling of \$20,000 per case, can indeed give the people some "treats" under the current social atmosphere—they cannot be considered as "treats", but merely a bit of consolation. For families under financial pressure, \$20,000 less in tax liability is certainly a consolation. For small and medium enterprises ("SMEs"), it may actually save their lives because various industries have indeed been hit hard. The situation in the tourism, catering, retail and transport industries is particularly disastrous. Many people are facing unemployment, layoffs and pay cuts. Those who depend on commissions see a significant drop in their incomes. Hence, the relief measures actually seek to alleviate the impacts on society.

In fact, the Bill has shown us that there is a lot of room for reflection in the public finance in Hong Kong. When it comes to the Budget, we face a blessed trouble every year, and that is, our huge fiscal surplus. There is this saying of "Keep calm and you will have money left". Now that the SAR Government has money left, it can be a headache to figure out how to pass it on to the public as a rebate. Why does such a significant surplus exist every year? I am not saying that it is bad to have a surplus, or suggesting the Government to spend it all until

a deficit appears. But having a surplus every year has become a norm, and the surplus is not several billion dollars, but tens of billion or even hundreds of billion. Why is the calculation wrong every year? Because we rely heavily on land finance, that is, many sources of revenue are related to land sales and property transactions, such as stamp duty. These incomes are capital revenue that can fluctuate drastically. There can be indeed a surplus of hundreds of billion dollars when the market is up, but a deficit when the market is down. Therefore, the Government never dares to regard this sum as stable revenue and make long-term financial commitment with it. It is usually credited to the Capital Works Reserve Fund which continues to snowball. People do not know the use of the surplus and social conflicts are thus created.

I consider land finance an unhealthy phenomenon. From the public finance management angle, it is not too harsh to call it drinking poison to quench thirst. Why? Land revenue, the high land price policy and stamp duty can seemingly generate substantial revenue. For example, the ratio of land revenue in public revenue has surged from about 8% more than a decade ago in 2000 to 2005, to 21% in 2015 to 2020. Take 2017-2018 as an example. Land revenue, coupled with other property-related incomes, such as land premium and stamp duty, accounted for nearly 40% of the total public revenue. However, such a large proportion will lead to these situations: first, the Government considers property-related incomes a "sacred cow" or untouchable interests, as it will probably lose income and run into difficulties once the land price falls; second, I consider it drinking poison to quench thirst because what is the consequence of the huge land revenue to wage earners and SMEs? It is the exorbitant prices and rents of residential, commercial and office units which impose a heavier burden on the people or SMEs. Some people call this "rental indirect tax", which is actually unhealthy because the Government should collect tax revenue direct. Why should real estate developers collect it on behalf of the Government? This is an extremely unreasonable phenomenon which leads to further monopolization of capital, real estate monopoly and hegemony. In addition, land prices are extremely vulnerable to market volatility. If there is no land sale or land prices fall, public revenue will drop and the surplus will turn into a deficit any time.

Talking about public finance, the Government has all along emphasized that the low and simple tax regime are an edge of Hong Kong. But I have often asked people to reflect on whether it is best to maintain a low tax rate. If so, tax heaven Cayman Islands are surely the best, President. I believe Hong Kong's edges are actually our rule of law, talents and free and open system. Certainly,

the rule of law, being severely challenged right now, requires repair and reconstruction. But these are our true edges, and we cannot rely on a low tax rate alone to attract investments. I always talk about this simple logic. Businessmen, the President included, do not mind a 1% or 2% tax increase if they can make handsome profits. The most important point is whether they can make profits doing business in this place. If no profit can be made, it is pointless even if this place levies nil tax. Hence, it is essential to maintain Hong Kong's good business environment, including our infrastructure and talents. Rather than relying on a low tax rate to attract investments, businesses will naturally be attracted to invest in Hong Kong when they can make reasonable and stable profits. Therefore, I think the SAR Government should not continue to be entangled in this myth.

In fact, a reform has been made to Hong Kong's profits tax regime. In order to address the needs of SMEs, the regime was adjusted to a two-tiered one in 2018-2019. The profits tax rate for the first \$2 million was lowered to 8.25%, while profits above \$2 million continue to be subject to the tax rate of 16.5%. Not taking into account tax heavens, a profits tax rate of 16.5% is the lowest in comparison to other major economies around the world. Hence, there is actually room for an upward adjustment of the rate of profits tax payable by large enterprises making colossal profits. In 2016-2017, companies with assessable profits of above \$10 million, representing 6.8% of 106 700 tax-paying companies, contributed a total of 88% to profits tax. We can thus see that companies with assessable profits of above \$10 million accounted for only a very small proportion of taxpayer companies but contributed nearly 90% of profits tax. What does this mean? It means that only a marginal raise in profits tax rate will increase the overall revenue significantly.

Just take a look at the financial statements of big companies and one will note that some well-known listed companies have really paid a lot in tax. These are the figures for 2017-2018. Let me share them with Members here. Sun Hung Kai Properties, \$4.6 billion; MTR Corporation Limited, \$1.9 billion; CK Asset Holdings Limited, \$1.7 billion; Link Real Estate Investment Trust, \$900 million; Henderson Land Development Company Limited, \$670 million; Swire Group, \$630 million; New World Development Company Limited, \$540 million; Cathay Pacific Airways Limited, \$350 million; CLP Power Hong Kong Limited, \$1.87 billion; Hang Seng Bank, \$2 billion; The Hong Kong and China Gas Company Limited, \$710 million; Bank of China, \$5.7 billion; HSBC Holdings, \$12 billion. These are all well-known listed companies. The profits

tax paid by dozens of these giant enterprises amounted to tens of billions of dollars. If we increase the rate of tax payable by them by 1% to 2% to create a cascading progressive profits tax regime, there will be relatively steady growth in our revenue without affecting less powerful SMEs. We suggest that the tax rate for companies with a net profit of more than \$50 million should be raised by 1% in order to achieve the principles of vertical equity and "those who can afford it should pay more".

What does vertical equity mean? It means enterprises capable of making huge profits and taking up such a large market share, or even monopolizing the market to a certain extent, should have the ability and responsibility to pay more in tax. A good business environment or accommodating government policies, either intentional or unintentional, allow these large corporations to make handsome profits, just like the case of the MTR Corporation Limited which is a product of policy protection. Then, do they not have the responsibility to give back to society more in order to achieve vertical equity and fair distribution?

As we often say, the turmoil arising from the amendment exercise this time is, to a large extent, a huge eruption of public grievances. Apart from the provocation by some people and the malicious interference by foreign forces, we also have to look at the internal cause. What is the internal cause? It is the uneven distribution of wealth in society and the extreme disparity between the rich and the poor. Hong Kong has a Gini Coefficient of 0.539, which is way above the level carrying the risk of riots according to foreign sociology studies. Now, unfortunately, riots have taken place. What should we do? We must address the uneven distribution of wealth in society by a tax regime reform. By implementing a tax regime reform, we can improve areas such as education, health care and housing, which cost money, or even offer cash benefits, through secondary distribution and industrial policies, so as to make people feel that society is developing in a direction towards fairness and everyone can share the benefits of social development. In this way, no one will call for "mutual destruction", right?

We now talk about stopping violence and curbing disorder. We certainly support the Police in taking strict enforcement actions. We also appeal to all sectors of society to say "no" to violence. However, if we wish to reconcile our internal contradictions, our internal problems and the uneven distribution of wealth in society, we must really abandon the liberalism approach left behind by the British Hong Kong era. Public officers should cease to blindly follow the "small government, big market" principle, or hold bias in favour of the business

sector, believing that a trickle-down effect can be achieved when the business sector makes profits. But what if such an effect is not achieved? There will be widespread public grievances. The Government must let people see that it is determined to bring about a change in justice in society, denying politicians with ulterior motives and villains provoking populism the chance to stir up conflicts, so that our society can enjoy long-term stability.

Therefore, through the Bill, I hope society will think about how the public finance in Hong Kong can achieve justice in vertical distribution, and thus social stability, through our tax regime, in particular a progressive profits tax regime. Thank you, President.

MS ELIZABETH QUAT (in Cantonese): President, the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") originally completed its Bills Committee stage in the last legislative year, ready to be put to the vote at the Council meeting of 26 June. But as the vote could not be taken at the meeting that day and the Legislative Council Complex was subsequently subjected to serious sabotage and stuck in a state of dysfunction with the last two meetings of the last legislative year being called off, it is not until now that the Bill can be put to the vote.

The Bill proposes reductions of tax under personal assessment, salaries tax and profits tax for year of assessment 2018-2019 by 75%, subject to a ceiling of \$20,000. The Bill will benefit 2.05 million taxpayers and enterprises, and such measures will cost \$18.9 billion.

Nevertheless, plagued by external challenges posed by the China-United States trade war and internal controversies unleashed by the anti-amendment storm, we can see the Hong Kong economy teetering on the verge of recession. With escalating violent protests, various sectors and industries, such as tourism, catering, hotels and retail in Hong Kong have been dealt a severe blow. Facing the present predicament, the Democratic Alliance for the Betterment and Progress of Hong Kong welcomes the move of Financial Secretary Paul CHAN, who took on board our proposal and announced on 15 August a further increase in the relevant rate of concession from the original 75% to 100% while retaining the ceiling of \$20,000, and the new relief measure will cost \$1.84 billion. I certainly support this new initiative as it can benefit taxpayers at large and ease their burden.

Nevertheless, tax reduction alone is actually not enough. The pressing tasks now are still stopping violence and curbing disorder, upholding the rule of law and expeditiously restoring social order. Otherwise, any further increase in the tax concessions granted by the Government will not help get people out of the present chaos and predicament.

Violent protests have been escalating since June. We notice the increasing lawlessness of rioters out there on the streets, from attacks waged on police officers, police stations and police vehicles to a new wave of online calls recently to kill police officers, and some have really acted on the calls. They have planted bombs roadside, and every riot now will see the hurling of Molotov cocktails. They have also wantonly vandalized government buildings. The repair works of the Legislative Council Complex has just been completed not long ago with glass panes yet to be installed. MTR facilities have become targets of vandalism day after day, and many of them have yet to be restored, hence our livelihood and economic development have been seriously impeded. Worse still, they have occupied and paralysed the airport earlier while beating and intimidating tourists, significantly undermining Hong Kong's international reputation and seriously affecting the passenger throughput of the airport. Moreover, there are frequent cases of settling scores privately where members of the public holding dissenting political views may be beaten up the moment they hold up their mobile phones, coupled with a spate of campaigns targeting Chinese enterprises and banks, pro-police shops and restaurants, etc., in which they are subjected to vandalism and arson, resulting in great losses to those enterprises.

Such violent acts have aroused a widespread public outcry, resulting in not only a drastic drop in the number of inbound visitors but also panic among members of the public in Hong Kong. Not knowing when MTR trains will stop service, people dare not go out at night. And not knowing where the rioters will wreak havoc, they dare not go out on Saturdays and Sundays either. The dampened spending sentiment of local people who dare not go out, coupled with the declining number of tourists, has made such traditional business districts as Mong Kok, Tsim Sha Tsui and Causeway Bay ghost towns on Saturdays and Sundays.

Given the deplorable law and order situation of society, such trades that feed a vast number of grass-roots workers as tourism, hotel, catering, taxi, retail and beauty services in Hong Kong have been thrown into appalling misery. According to the statistics of the Immigration Department, from 29 September to

6 October, the number of inbound visitors dropped 31% over the same period, and Lo Wu even saw a decrease of 40%, hitting a record low in nine years for the National Day Golden Week. Such large-scale events as sports tournaments, international exhibitions as well as tourism and entertainment programmes originally scheduled to be held in Hong Kong have been called off one after another.

Retail sales have been declining for seven months in a row, and it seems that the downward trend will continue. The sudden closure of shopping arcades mostly on Saturdays and Sundays has often rendered a number of shops in the retail service sector unable to do business. Saturdays and Sundays are supposed to be prime time for them, but they are now unable to do business. Yet, the shopping arcades will not grant them rent remissions accordingly. A number of catering shops have also ceased operation. After making enquiries today, I have found that some 300 catering shops may have closed down. Lots of practitioners in the service industries have started to take no-pay leave even if they manage to keep their jobs, while many others have actually lost theirs. Our retail figures continue to fall sharply. Such figures have now been falling for seven consecutive months, the largest decline recorded in August since 1981.

I have recently met with a group of members from the retail and beauty industries. They all said that there is simply no customer now. Fridays, Saturdays and Sundays are supposed to be prime time for business, but customers are nowhere to be seen now. What do they have in mind now? They are not hoping to get more loans from the Government, and even if the Government is willing to act as their guarantor, they may not dare accept the loans because they are not sure whether they will be able to make repayment in the future, and they may even become debt-ridden. They are now pondering whether they should close down their business now or later. Should they put up their properties as collateral in order to tide over the hardship in the coming months? But seeing no beacon of hope now, should they make such a move? Their business turnover has dropped nearly 50% to 70%. A large number of practitioners who live on commissions are earning much less now. Which way should they go next?

I met with some members of technology companies yesterday. According to them, a number of foreign investors, being scared off about investing in Hong Kong, were holding up investments with a "wait and see" attitude now, thereby significantly affecting their plans. They originally expected funds to be invested

in Hong Kong, but all investment projects have to be suspended now due to a lack of funds, making layoffs inevitable. These companies originally had a promising future and a large pool of top talent. Now they have no alternative but to reluctantly downsize the staff, axing 10-odd staff members earning a monthly salary of more than \$100,000 in one go, which is a severe blow dealt to Hong Kong. Facing the present predicament, the Government must, in addition to implementing the current tax concessions, think about what else it can do to assist various enterprises and trades in preserving employment and tide them over the prevailing hardship.

As pointed out by some trades, it is now time for the Government to explore with private real estate developers the possibilities of rent reduction in order to support micro-, small- and medium-sized enterprises, and they also hope the Government will urge banks to not hurriedly tighten credit and call loans. They also hope the Government will, on this occasion when lots of employees are put on no-pay leave, step up its efforts in supporting the retraining of employees and provide technical training for them to acquire new skills, so as to equip them for the future.

Furthermore, a good many people currently lack the courage to start their business in Hong Kong. If we wish to seize the opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area"), can the Government give strong backing to those Hong Kong people who intend to start their business in the Greater Bay Area, such as offering them interest-free loans? This is actually something that requires consideration and action by the Government. We also have to plan ahead so that measures can be rolled out to attract more tourists to Hong Kong and boost domestic consumption once the attempt to stop violence and curb disorder succeeded. I hope government officials can seriously find a way out, giving small and medium enterprises a glimmer of hope that they may survive this difficult time. Certainly, stopping violence and curbing disorder remain the top priority. It is only when social order is restored that can we regain the confidence of the general public, industrial and commercial sectors as well as investors in Hong Kong and break away from the present predicament.

The anti-amendment movement has now been going on for more than four months, and we see that violent acts have not died down. Such violent acts, disguised as pursuit of democracy, freedom and justice, have been escalating. As I said just now, they have evolved from the hurling of bricks and Molotov

cocktails in the beginning to the planting of remote-controlled improvised bombs now. When will such violence end? President, can democratic ends be achieved by violent means? Can we call it justice when the others are deprived of their freedom?

An article penned by the late Mr James WONG entitled "Genuine democracy and bogus democracy" has been widely circulated on the Internet recently. After reading this article penned by him back in those days, many have considered it visionary. President, please allow me to spend some time reading out Mr James WONG's article to Members.

"Democracy must be sought through democratic avenues.

But there is a plethora of obstacles on this road to democracy, and progress comes real slow

as it concerns you, him and me.

You, He and I come from different backgrounds with varied intelligence, means, goals and aspirations.

We must tolerate and complement one another. I should respect your wishes, and you should respect his views, but not at the cost of my interests.

There are nearly 6 million us in Hong Kong, you, him and me.

I should not be sacrificed for your cause.

Nor should you be sacrificed for his.

Hence, the pace of democratization is destined to be slow. It is a long, long way to go,

with absolutely no shortcut.

Even so, we must pursue democracy with democratic means, for the use of non-democratic means will not bring us democracy.

Aspiring to democracy, we must understand this principle in our pursuit of democracy, or else we will only hurt democracy.

If he does not get it, we can only talk him into changing his mind, not attacking or coercing him.

When I do not agree yet, you cannot force your view on me and make me succumb to violence.

You, he and I are equally important, and deserve the same respect. Only in this way can it be called genuine democracy. Bogus democrats are hanging around in large groups in this place right now. Will Hongkongers please open their eyes."

President, it is precisely in the Legislative Council where we see a number of Members who are bogus democrats. Hoisting aloft the banner of democracy, they have repeatedly glorified violence, condoned the use of violence with their own violent acts, and justified or even heroized violence with political reasons. In this solemn Chamber of the Legislative Council, we have seen a number of opposition Members repeatedly insult and defame government officials or even other Members of the Legislative Council, and they have resorted to not only verbal but also physical violence, such as hurling objects, snatching things and charging, thereby setting the worst example. They mislead young people in Hong Kong into accepting the use of violence and seeing it as a means to express opinion and resolve problems. Also, some opposition Members have frequently showed up at scenes of violent protests, obstructing police officers in the execution of their duty. They selectively turn a blind eye to, condone and cover up the violent acts of those masked rioters clad in black, and will only criticize the enforcement action by the Police. It is precisely because of the presence of such opposition Members who keep inciting sentiments against the Government and polarizing society, politicizing every single issue, opposing for opposition's sake, resisting everything about China and condoning violence in Hong Kong that so many people in Hong Kong presently see violence as the way out, that Hong Kong has fallen into such a state of unrest now, and that rioters have grown increasingly unrestrained and lawless. Hence, Members from the opposition camp should be held culpable for the violence prevalent in Hong Kong now.

President, I once again call on members of the public in Hong Kong to distance themselves from violence. Violence is never the answer, and it will bring Hong Kong neither a better tomorrow nor independence. Violence will only hurt the overall interests of Hong Kong, jeopardizing not only the Hong Kong Government but also the entire community of Hong Kong, comprising you, him and me as avowed by the late Mr James WONG.

As members of the public who are passionate about Hong Kong and love this place dearly, how can we condone the violent destruction of our home? Hence, I hope the general public in Hong Kong will stand together against violence because only by stopping violence and curbing disorder, restoring order and upholding the rule of law in Hong Kong can we get our society and economy out of the predicament and back on track as early as possible. Thank you, President.

DR PRISCILLA LEUNG (in Cantonese): President, I rise to speak in support of the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill"). We can see that the measures in the Bill under discussion today can be likened to a clay buffalo gone into the sea. That means after the clay is scattered into the sea, nothing can be seen, since the social problems still exist. As we often say, "The elephant is still in the room." That is, the biggest problem actually remains unsolved. Despite this, I hold that regarding various livelihood and welfare issues, whenever there is an opportunity of returning to the normal environment of discussion, we as Members should seize every moment to do our part for members of the public.

Today we finally have the opportunity of making speeches here normally. Many members of the public and supporters have asked me whether they could be spared of seeing on the television screen people only raising points of order and then wreaking havoc. They said now there is a tempest outside. Why do Members seem not to feel that people are in dire straits and only keep playing around, doing no decent work all day? Hence, although the discussion topic today is small, and after the completion of this discussion, Members may not find it a big deal, we should still have a serious discussion so that members of the public would feel again that the Legislative Council really attaches great importance to people's well-being. Although it can only serve as a temporary relief, people need to be relieved one way or another.

On 15 August, Financial Secretary Paul CHAN announced a series of relief measures. The timing of his announcement was certainly not good. Frankly, no matter how many good deeds the Policy Address has done, members of the public would not feel it because after all, they are in a bad mood. What they wish to hear is not what he announced. However, does that mean all these measures should be negated? I do not think so, because they have incorporated the proposals of many political parties and groupings. Some proposals made by us have also been accepted, to which we express our welcome.

The reduction rate of salaries tax, tax under personal assessment and profits tax for the year 2018-2019 has been raised from the proposed 75% to 100%, subject to a ceiling of \$20,000 per case. To this, I extend my welcome. Moreover, I welcome also the additional grant of one-month standard rate payment of the Comprehensive Social Security Assistance ("CSSA") to recipients under the CSSA Scheme. Regarding electricity tariffs, I express welcome too to the one-off subsidy of \$2,000 for members of the public. This should be

encouraged no matter what. Whole-day kindergarten students will each receive a subsidy of \$2,500. In my view, it is good to regularize this measure. Besides, the waiver of one-month rent for tenants of public rental housing ("PRH") under the Hong Kong Housing Authority is also welcomed.

I wish to particularly point out that frankly, we consider these measures barely enough. For this reason, apart from regularization of the relevant measures, we very much hope that there will be measures pinpointing the problems deeper, though they may not be able to resolve the prevailing social problems instantly. For example, I greatly welcome the provision of a one-off subsidy by the Government to people eligible and waiting for PRH. To avoid the criticism of pushing up rents, this time the grant is issued in the form of a living subsidy. The proposal of providing people waiting for PRH with a rent allowance has been put forward by us for years. Yet I wish to further point out that actually, early in 2008 after the outbreak of the Lehman Brothers incident, I already used the following word. That is, the middle class has become the "miserable class". They are the most miserable sandwiched group. Ineligible for PRH, they are not entitled to the rent waiver. Even though the Government has raised the cap on the value of a property eligible for a mortgage loan of a loan-to-value ("LTV") ratio of 90% and 80% to respectively \$8 million and \$10 million, they still cannot afford to buy any property. When the young couples and even some of our colleagues aged 30 to 40 heard that Members had proposed a rent allowance, they said it was excellent, but this time the measure cannot benefit them. I hope the Government will give it a thought. Regarding rent allowance, the total monthly income of their family may be \$60,000, but the monthly rent of a flat is at least \$18,000. It already accounts for a large part of their income, not to mention there are many other expenses.

Besides, we have all along proposed the establishment of a tax reduction item for expenditure on child care services for children under three years of age, subject to a ceiling of \$30,000. I will continue to make this request. There is yet another more profound issue raised by me for years. In 2008, I already told the then Secretary Prof Ceajer CHAN that a loan fund of \$1 billion should be set up for the unemployed to switch trades. At the time the Lehman Brothers incident had broken out. Many people in the middle class had never thought, not even in their dreams, that they would become unemployed some day. Some of these people, aged only 50, were still strong and competent. I thus considered it worthy for them to switch to self-employment.

At that time we had yet to have the concept of "silver-hair economy" or the silver-hair group rejoining society. The issue of the silver-hair group had to come into view. We only saw that in the wake of the Lehman Brothers incident, many people lost their jobs. Moreover, maintaining their self-respect, they wished to work and did not want to live on CSSA. Today, however, I think \$1 billion is no longer enough. The Government should generously provide a fund of \$5 billion so that they can do more things and also broaden their horizons. Because now Hong Kong has helplessly turned into such a state. Even some young people who had never talked to me before have asked if I could take them to the Greater Bay Area to have a look. Some of them do wish to pursue development there. However, there is a price tag to this. Everything has its cost and opportunity. People starting their own business may not necessarily succeed. However, as I often say, if one out of 100 of our long-term investment projects with potential succeeds, it is already awesome. There is no need for any example of success like MA Huateng—I hold people like MA Huateng and Jack MA in great respect, but their strengths are really not on the academic side. However, they dare to be innovative. In particular, they can tie in with the development of new and high technologies. Moreover, they have a common personality, which is perseverance. At the lowest tide of their start-ups, they could weather the hardest times with their partners who set up the business together, and when they succeeded, they could share the fruits of success. This is actually a kind of ability. They do not have an IQ reaching the level of a genius or the deepest knowledge of technology. Rather, they have the ability to gather talents and experience with them the hardest stage of their enterprises or start-ups. We need to provide young people with support. Not only young people need support. Now many small shops may have to close down soon. We have heard an increasing number of such cases. Many are sole proprietors or small business operators. No longer able to cope with the plight, they said one after another that they would fold up upon expiry of the tenancy. Earlier on, they closed business at 7:00 pm. Now they simply close at 3:00 pm because they are afraid that their shops will be attacked. Or after their shops posted labels of the "love the country and Hong Kong" camp, they received threatening notes and dared not do business anymore, thus resulting in unfair competition.

As a matter of fact, the business of shops and the market situation are poor. Many Honourable colleagues have mentioned the retail industry. Some time ago, I went to the MacPherson Playground to be an officiating guest. Before that, I went to a wanton noodle shop nearby. The owner was a woman in her fifties, maintaining self-respect with her own efforts. Having an employee aged 50, she said that even if she could not make any profit, she would still continue to

operate the shop because she did not want this employee whom she had hired for a decade to become jobless. This employee had a family to support. She said that having some savings, she could hang on for a few years. She would continue to do the business no matter what. That is why there is still a wanton noodle shop in that place. This is Hong Kong people's spirit of self-respect under the Lion Rock. The shop of this owner is not an SME. It is only a micro-enterprise. Speaking of the present situation in Hong Kong, she came to tears.

Hong Kong is running into an economic and financial storm which is even stronger than typhoon Mangkhut. Facing such a tempest, has the Government taken any proper precautions for us? Is there any "precautionary war room" which can think out of the box of the civil service system? I find that in favourable circumstances, the existing civil service system can operate soundly, but facing crises and tempests, it remains inflexible and sticks to the rut. Hence, will the Government employ someone from outside to set up a war room to formulate precautionary measures? I remember that Mr Christopher CHEUNG asked whether the Government would set up a "precautionary committee", especially inviting local and even foreign experts recognized by the Government to help Hong Kong tide over the difficulties. It is a blessing if we can manage to survive. I hope Hong Kong people can pull through this crisis. In my view, Hong Kong people are still very adorable, and I still hold out hope.

"Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime." The Government must teach people how to fish—"fish" as a verb—helping people to help themselves. Some are only 40 to 50 years of age. They may face unemployment and need to switch trades. The Government should help them. But to what trades can they switch? Some of my friends joked—Members may laugh a bitter laugh on hearing it—first of all, Members should fight for them entitlement to the \$2 concessionary fare if they retire at 55 or are unable to continue to operate their business. If they start their own business at 60 or 64, the Government should provide them with venues. Vocational training is also needed. What can they be trained to do? They can be trained to become security guards because now the security sector has a strong demand for manpower, but it cannot import foreign workers. Public organizations, private companies and even public figures need to hire security guards. I agree with this point. We should not let the Police bear too much pressure, requiring them to handle private affairs and even clear rubbish. This is unfair. Their job should be to fight rioters setting fires and occasioning violence. If there is anything we can resolve by ourselves, we should do so by

ourselves. Another occupation they may join is renovation. Recently, many incidents which occurred were in fact not "renovation". They were criminal damage targeting shops holding different political views. We also need people who know how to repair traffic lights and therapists of emotional disorders, since some middle-aged people will cry more easily now. They cannot bear seeing young people commit such acts. Mediators for family disputes are needed, too, because family members no longer talk to each other. There is no communication. We all feel very down in our hearts. When can we who have lived under the Lion Rock for generations ever become like a family under the Lion Rock again?

Now Hong Kong is facing both external and internal challenges. Thinking that Hong Kong is not chaotic enough, some Hongkongers and Members went abroad to badmouth Hong Kong, losing no time in requesting the United States to pass the so-called "human rights act", which actually means sanction. However, sanction will not affect the big businessmen. It will only bring a domino effect, dragging more SMEs and the petty masses into dire straits. Now young people with immature minds even resort to violence outside, mistaken that they are valiant heroes. In fact, they have become rioters. But we are adults. Even though we hold different political views in the political circle, we cannot talk about "burning together" like they do. Some Honourable colleagues holding different political views also mentioned "burning together". I asked them if they understood what it meant. Young people and teenagers talked about "burning together", and they followed suit. Do they know it will do harm to many people? How can they excuse and cover up violence, and repeatedly waste the precious meeting time of the Legislative Council?

Members of the public hope that the Legislative Council can find a way out for them and reach a consensus. Despite our political differences, I consider that even we in the pro-establishment camp need to conduct a review and make improvement. But Members should not shield violence. We need this wakening. The Legislative Council must do solid work for the people. It cannot let the people say that our Legislative Council has indeed become a rubbish council. I very much hope that we can strive together to seek hope for Hong Kong. I hope that after the tempest is over, Hong Kong can see the silver lining again. Under the Lion Rock, we are (*The buzzer sounded*) ... a family.

PRESIDENT (in Cantonese): Dr LEUNG, please stop speaking.

MR YIU SI-WING (in Cantonese): President, the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") originally seeks to give effect to the proposal in the Budget presented in February this year to reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2018-2019 by 75% subject to a ceiling of \$20,000 per case. In view of the economic impacts caused by the controversy over the amendment of the Fugitive Offenders Ordinance ("FOO"), the Government announced a package of relief measures in August this year, increasing the tax reduction rate from 75% to 100% while retaining the ceiling of \$20,000 per case.

By proposing tax reduction measures, which were a fixture in the Budgets of recent years, the Government seeks to give impetus to the overall economy and consumption by alleviating the pressure on the middle class and the micro, small and medium enterprises, stimulating spending and incentivizing people to work harder. This will certainly help spur tourism-related spending as well, inducing a virtuous cycle. I therefore support the tax relief measures.

It is evident that all trades and industries in Hong Kong have been hit hard by the FOO amendment controversy, which has continued for four months, and the escalation of violence in protests, with the tourism industry bearing the brunt. In August and September this year, visitor arrivals dropped 30% and 40% year-on-year respectively. The decrease so far in October, as mentioned by the Secretary just now, has been over 50%. The number of outbound trips also recorded some 30% drop in September, according to the levy figures of the Travel Industry Council of Hong Kong ("TIC"). The ripple effect caused by the slump in the tourism industry has rapidly surfaced, with the value of total retail sales in August falling 23% year on year and over 200 restaurants closing down so far. Why would a downturn in the tourism industry inflict such a huge impact on the overall economy of Hong Kong? This may best be answered by an analysis of the characteristics of the tourism industry.

From the economic perspective, tourism, with its extensive reach across industries, is conducive to local economic development. According to the estimates of the World Tourism Organization, modern tourism affects, drives and promotes as much as 110 trades and industries. Tourism spending accounts for over 90% of the business of the accommodation industry. The relevant contribution to the civil aviation and railway industry and that of the catering and retail sector are over 80% and over 40% respectively. Every dollar generated in the tourism industry would result in a subsequent gain of \$4.3 in revenue in the relevant industries.

In terms of employment promotion, a job gained in the tourism industry will bring in 4.2 more jobs in the related industries. In particular, these jobs in the service sector can accommodate a large number of low-skilled workers, giving a direct boost to grass-roots employment.

In terms of environmental protection, tourism causes relatively less pollution and leads to greater emphasis on protection of natural resources and valuable heritage of history and culture, which are conducive to the promotion of environmental education locally.

From the angle of publicity, tourist arrivals can boost the international clout of a place and help attract investors.

The effect of tourism in employment promotion is remarkable. According to government figures, the tourism industry contributes about 5% of the Gross Domestic Product of Hong Kong, directly employing 270 000 persons while generating a total of some 800 000 job opportunities in such related industries as retail, catering and transport. Hence, a drop in visitor arrivals to Hong Kong would trigger a domino effect, implicating the related industries.

The tourism industry in Hong Kong is currently confronted with numerous uncertainties. In particular, many major events have been successively cancelled under the shadow of violent protests, one of which being the Formula e-Prix which dropped the Hong Kong stop next year in favour of Marrakesh of Morocco. In addition to the Formula e-Prix, numerous activities and events to be held in Hong Kong, such as the National Day Fireworks Display, the Hong Kong Cyclothon, the Hong Kong Wine and Dine Festival and the Harbour Race, have been cancelled for public safety concern since October, against the backdrop of a highly-charged atmosphere in society and sabotage of public transport facilities. The cancellation of these events is received by the public with disappointment, by the industry with regrets and by the organizers with resignation. It should be noted that such mega events entail immense organization efforts, their cancellation would result in enormous losses to the organizers. Not only would individual organizers lose out in the event of cancellation. More importantly, there will be implications to the tourism industry of Hong Kong, with the prospect of Hong Kong hosting major international events in future compromised.

In addition to the litany of mega events being cancelled recently, many exchanges of different nature at the civic level have also been affected. The cultural and leisure venues of the Government, such as the Cultural Centre and the Xiqu Centre, were closed early from time to time. A number of exchange activities or competitions with Mainland and overseas students were suspended. Hong Kong has been a popular destination for student exchange activities, where participants of these study tours are often accompanied by their parents. Upon the conclusion of the activities, students and parents, who are overnight visitors with high spending power, will take the opportunity to go sightseeing and shopping in Hong Kong.

In the short term, even if the visitors on the Individual Visit Scheme and short-haul travellers are lured back to Hong Kong with the restoration of order in the city, it would probably take quite a while to see a rebound in the number of visitor groups with high spending power (especially those on study tours). As a result of this, the prospect of recovery in Hong Kong's tourism industry in the short term would be affected. Hence, we hope that the dark clouds currently shadowing Hong Kong will quickly dissipate and society can return to peace and calmness early.

Hong Kong's neighbour Macao, by contrast, will host a series of mega events towards the end of this year, including the Macau Grand Prix, the Macau Food Festival, the Macao International Marathon and the Macao Light Festival. Given that a living circle has taken shape within the Guangdong-Hong Kong-Macao Greater Bay Area and that residents in the region are used to spending money across the region, an exodus of major events and activities from Hong Kong may inadvertently benefit Macao. For tourists are concerned about the current situation in Hong Kong, while Macao is relatively peaceful with a nicer environment. We are deeply worried that as major events are held in the neighbouring areas of Hong Kong in great number while those taking place in Hong Kong slowly dwindle, visitors of high spending power and high added value would desert Hong Kong in the long term.

I remember that it was during the SARS outbreak in 2003 that the tourism industry of Hong Kong had last suffered a serious recession. After the epidemic was successfully contained, the Central Government lifted the travel restriction on Mainland residents by allowing them to visit Hong Kong and Macao on the Individual Visit Scheme, throwing a lifeline to the economy of Hong Kong which was in the doldrums at the time. Meanwhile, the tourism industry first pushed for local tourism, then collaborated with the Government and other stakeholders

in launching various promotion activities targetting overseas tourists and markets. These efforts had engendered a swift recovery in the market and a significant economic rebound. The tourism industry hopes that the current situation can be resolved in a way similar to the aftermath of SARS, with the people standing united and working together for Hong Kong's revival.

With visitors temporarily eschewing Hong Kong, the industry can only save themselves by promoting domestic consumption to weather the storm. Many hotels have begun shifting their target to the local market recently, launching some dinning and accommodation packages of good value. Hong Kong Disneyland and the Ocean Park have also introduced various concessionary tickets or packages with hotel accommodation and admission tickets which target the spending habit of Hong Kong people, with a view to cushioning the impact caused by the tourism downturn and reducing the effect on employees. Yet, when all is said and done, Hong Kong is but a local market of 7 million people, hardly comparable to 60 million visitors in scale. Hence, the aforesaid efforts are only stop-gap measures aimed at helping the industry to ride out the storm before figuring out a way forward.

In response to the hardship faced by the tourism industry, the Government has, after taking onboard the views of the tourism industry, introduced various support measures for the industry. These include waiving the licence fees for travel agents, hotels and guest houses, waiving the annual membership subscription of the Travel Industry Council, providing training subsidies for tourist guides, ploughing additional resources in schemes in support of micro, small and medium enterprises, and making available more financing arrangements for these enterprises. Just today, a cash incentive scheme to support travel agents was rolled out. From November this year to March next year, travel agents will get \$120 and \$100 for each inbound overnight visitor and each outbound traveller respectively. Each agent can receive up to \$60,000. While it is quite difficult for the industry to attract business in such anaemic market conditions, these measures still help in some way. I hope the Government will introduce more of such practical measures to help the tourism industry.

Moreover, we wish to make a few suggestions. First, in view of the current uncertainties, I hope the Government can increase the percentage of tax reduction further, much like what the Bill has proposed, to alleviate the burden on the public. I consider such a move appropriate. To achieve greater stimulation effect, we hope the ceiling for tax reduction, which is set at \$20,000 in this case, can be raised to \$30,000 or \$40,000 in the future.

Apart from tax rebate, the Government should introduce other relief measures with a view to driving domestic consumption. For instance, we hope the Air Passenger Departure Tax and the Airport Construction Fee can be partially or fully waived for a period of time, making outbound travel better value as a way of fuelling public appetite for travel and giving the tourism industry of Hong Kong a boost.

As our third suggestion, we hope the Government will consider distributing consumer vouchers in a bid to lift the current gloom in consumption. During the financial crisis in 2008, Taiwan handed out consumer vouchers with a face value of NT\$3,600 to each citizen to invigorate the economy, even at the expense of incurring a debt of NT\$85.8 billion. In 2009, Hangzhou distributed 2.4 million sets of free vouchers with a total face value of RMB150 million to travellers and consumers from the markets of the Yangtze River Delta region, Hong Kong and Macao. These measures went a long way towards fuelling the business of local tourism attractions, hotels and restaurants. At a time when people are unwilling to make spending, I believe the distribution of consumer vouchers will give impetus to the tourism industry and other consumer-related sectors.

The fourth suggestion is that, we hope the Government will request the Ocean Park or Disneyland to offer some "super-value deals" to the public in light of the current atmosphere in society. They are tourism attractions of Hong Kong, after all. We hope that the Government can even subsidize the disadvantaged in Hong Kong in joining local tours, so that they can learn more about Hong Kong.

President, Hong Kong now faces an unprecedented crisis. While the tax concession arrangement can help the tourism industry, it cannot solve the industry's predicament. I hope the Government can stimulate Hong Kong economy by breaking free of its conventional mindset and rolling out bolder and more pragmatic measures of tax reduction.

With these remarks, President, I support the passage of the Bill.

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): I now suspend the meeting until 9:00 am tomorrow.

Suspended accordingly at 7:22 pm.

Appendix I

WRITTEN ANSWER

Written answer by the Secretary of Security to Mr Andrew WAN's supplementary question to Question 3

In the application form for naturalization as Chinese national, the Immigration Department ("ImmD") only requires the applicant to state one's nationality but not ethnicity. Therefore, ImmD does not maintain statistics on applicants' ethnicity. Since 2018, ImmD has maintained statistics on the original nationalities of all applicants whose applications were approved. As the case may not be approved in the same year when the application was submitted, the number of cases received in the year does not correspond to the number of cases approved in that year. The detailed information is listed below:

Number of Applications for Naturalization as a Chinese National and
Number of Applications Approved
from 1 January 2018 to 31 December 2018⁽¹⁾

<i>Original nationality of applicant</i>	<i>Number of applications⁽²⁾</i>	<i>Number of applications approved⁽³⁾</i>
Indian	603	403
Pakistani	400	383
Indonesian	235	252
Filipino	145	123
Vietnamese	133	92
Nepali	53	60
Bangladeshi	39	13
South African	25	9
American	17	9
Nigerian	17	13
Malaysian	15	0
Turkish	15	6
Egyptian	12	6
British	12	7
Lebanese	9	4

WRITTEN ANSWER — *Continued*

<i>Original nationality of applicant</i>	<i>Number of applications⁽²⁾</i>	<i>Number of applications approved⁽³⁾</i>
Venezuelan	8	2
Sri Lankan	7	6
Iranian	7	3
Others ⁽⁴⁾	53	46
Total	1 805	1 437

Notes:

- (1) Since 2018, ImmD has maintained statistics on the original nationalities of all applicants whose applications were approved.
- (2) As the case may not be approved in the same year when the application was submitted, the number of cases received in the year does not correspond to the number of cases approved in that year.
- (3) The number of cases approved is the number of cases that applicants are formally issued the certificate of naturalization as a Chinese national.
- (4) Including Dominican, Jamaican, Burmese, Singaporean, French, Bolivian, Cameroonian, Fijian, Ghanaian, New Zealander, Peruvian, Sierra Leonean, Sudanese, etc. In 2018, the number of applicants of each of these original nationalities is less than five respectively.