

立法會
Legislative Council

LC Paper No. CB(1)467/19-20
(These minutes have been seen
by the Administration)

Ref : CB1/PL/FA

Panel on Financial Affairs

**Minutes of meeting held on
Monday, 6 January 2020, at 10:45 am
in Conference Room 1 of the Legislative Council Complex**

Members present : Hon Kenneth LEUNG (Deputy Chairman)
Hon James TO Kun-sun
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Kin-por, GBS, JP
Hon Alice MAK Mei-kuen, BBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP

Members absent : Hon Christopher CHEUNG Wah-fung, SBS, JP
(Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon WU Chi-wai, MH
Hon Charles Peter MOK, JP
Hon Dennis KWOK Wing-hang
Hon Martin LIAO Cheung-kong, GBS, JP
Hon CHEUNG Kwok-kwan, JP

**Public officers
attending** : Agenda Item IV

Mr Joseph CHAN Ho-lim, JP
Under Secretary for Financial Services and the Treasury

Mr Howard LEE Man-sing
Deputy Secretary for Financial Services and the
Treasury (Treasury)³

Miss Leonia TAI Shuk-yiu, JP
Government Property Administrator

Ms Rosanna WONG Lai-shan
Senior Property Manager (Project Division)³
Government Property Agency

Mr Frank WONG Tak-choi, JP
Project Director 1
Architectural Services Department

Mr LAM Kwai-sang
Chief Project Manager 103
Architectural Services Department

Mr Simon CHAN Kwok-chiu
Senior Project Manager 137
Architectural Services Department

Mr Harry MA Hon-ngai
Assistant Commissioner/Transport Projects
Transport Department

Agenda Item V

Ms Winnie NG, JP
Deputy Secretary for Financial Services and the
Treasury (Financial Services)³

Mr TE Chi-wang
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services)⁶

Clerk in attendance: Ms Connie SZETO
Chief Council Secretary (1)4

Staff in attendance : Miss Sharon LO
Senior Council Secretary (1)9

Ms Sharon CHAN
Legislative Assistant (1)4

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I Confirmation of minutes of meeting and matters arising

(LC Paper No. CB(1)280/19-20 — Minutes of the policy briefing-cum-meeting on 4 November 2019)

The minutes of the policy briefing-cum-meeting held on 4 November 2019 were confirmed.

II Information papers issued since the regular meeting on 2 December 2019

(LC Paper Nos. CB(1)219/19-20(01) — Letter dated 12 November 2019 from Hon Kenneth LEUNG requesting the Administration to provide further information on the mutual evaluation (English version only) and the Administration's response and (02)

LC Paper No. CB(1)255/19-20(01) — Accrual-based consolidated financial statements of the Government for the year ended 31 March 2019)

2. Members noted the information papers issued since the regular meeting held on 2 December 2019.

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III Date of next meeting and items for discussion

(LC Paper No. CB(1)282/19-20(01) — List of outstanding items for discussion

LC Paper No. CB(1)282/19-20(02) — List of follow-up actions)

3. Members agreed to discuss the following items proposed by the Administration at the regular meeting scheduled for 3 February 2020, at 9:00 am:

- (a) Briefing on the work of the Hong Kong Monetary Authority ;
- (b) Proposed creation of one permanent Principal Valuation Surveyor post in the Government Property Agency to oversee the property and facilities management of the boundary control points;
- (c) Funding proposal of the Official Receiver's Office for implementation of an Electronic Submission System; and
- (d) Budget of the Securities and Futures Commission for the financial year 2020-2021.

IV Joint-user Government Office Building in Area 67, Tseung Kwan O

(LC Paper No. CB(1)282/19-20(03) — Administration's paper on Joint-user Government Office Building in Area 67, Tseung Kwan O)

Briefing by the Administration

4. At the invitation of the Deputy Chairman, Under Secretary for Financial Services and the Treasury ("USFST") briefed members on the Administration's proposal to construct a joint-user government office building in Area 67, Tseung Kwan O ("TKO JUB") mainly to relocate some of the government offices currently accommodated in the Wan Chai Government Offices Compound ("WCGOC"), as well as other government offices located in leased private premises and government-owned premises. TKO JUB would provide a net operational floor area of about 44 000 m² and the estimated cost of the project was about \$6,172.8 million in money-of-the-day prices. The proposed project would also benefit the local district through the provision of public services/facilities and

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over 300 public parking spaces. Sai Kung District Council had been consulted on the project and expressed support. The Administration planned to submit the funding proposal to the Public Works Subcommittee ("PWSC") and the Finance Committee ("FC") within the current legislative session, with a view to commencing the construction works in the third quarter of 2020 for completion in the first quarter of 2025.

Discussion

5. Mr CHAN Chun-ying expressed support for building TKO JUB to facilitate the release of the WCGOC site for commercial development. In view of increasing downturn risks in the Hong Kong economy and possible fiscal deficits in the coming years, Mr CHAN asked whether there was room to reduce the estimated project cost of \$6,172.8 million, for instance by simplifying the design of TKO JUB. Moreover, in order to facilitate members in considering the project, he requested the Administration to provide detailed financial information on and related to the project, including (a) the financial information on the replacement building projects to reprovision the government offices currently accommodated in WCGOC, including the estimated revenues for the Government in developing the vacated site of WCGOC into convention and exhibition facilities, hotel facilities and Grade A office space, (b) the one-off removal costs for relocating offices of departments in WCGOC, leased private premises and other government-owned premises to TKO JUB, and (c) a comparison of the recurrent cost of accommodating the offices of departments in WCGOC, leased private premises and other government-owned premises with that of accommodating them in TKO JUB. He also sought details on the implementation timetable of TKO JUB.

6. Project Director 1, Architectural Services Department advised that the estimated construction cost of the project was not yet available as the returned tenders were still under assessment. He also advised that the unit construction cost in 2019 price level of TKO JUB was estimated to be in the range of \$28,000 to \$29,000 per m², which was generally comparable to that of the recent project of Immigration Headquarters ("HQ") in Area 67, Tseung Kwan O for reprovisioning the existing HQ accommodated in WCGOC. He remarked that the TKO JUB project would involve construction of a basement structure and the project site had a high underground water table that would incur complications to the construction works. On the implementation timetable of TKO JUB, USFST said that subject to FC's funding approval, the Administration's target was to commence the construction works in the third quarter of 2020 for completion in the first quarter of 2025.

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7. As regards financial information relating to the TKO JUB project, USFST said that TKO JUB would release office spaces in the private sector and achieve an estimated annual saving in rental expenditure of up to about \$45 million. Moreover, TKO JUB would facilitate the release of the WCGOC site for commercial development, thus enabling a better use of scarce land resources in central business districts. Government Property Administrator ("GPA") added that there were nine replacement building projects under the WCGOC relocation exercise. The Administration had already sought funding approval for the construction of five replacement buildings, one of which, namely West Kowloon Government Offices, had been completed. The Administration was still working on the remaining four replacement building projects, and financial information of the entire WCGOC relocation exercise would be available at a later stage. Financial information of individual replacement building projects would be provided in the relevant funding proposals when they were submitted for consideration by PWSC and FC.

(Post-meeting note: The Administration's supplementary information on the financial information relating to the WCGOC relocation exercise was circulated to members vide LC Paper No. CB(1)383/19-20(02) on 31 January 2020.)

8. Mr CHAN Kin-por said that he supported the proposal in principle as it would release scarce land resources in central business districts for commercial development. He expressed concern about the implementation timetable and enquired about the contingency arrangements if the funding proposal could not be approved by FC in the current legislative session, which could lead to delay in construction works and thus give rise to complications in the existing tenancy agreements of government offices located in leased private premises of the five departments planned to be relocated to TKO JUB. Mr CHAN Chun-ying sought details of the tenancy agreements including the expiry dates of the tenancies of the leased private premises of these departments.

9. USFST re-iterated that the Administration planned to submit the funding proposal to PWSC and FC within the current legislative session, with a view to commencing the construction works in the third quarter of 2020 for completion in the first quarter of 2025. He added that it was envisaged that the entire WCGOC relocation exercise would be completed by 2026. USFST and GPA further said that if there was delay in the TKO JUB project, the Government Property Agency would review the tenancies of the leased private premises of the five departments planned to be relocated to TKO JUB. Having regard to the then circumstances, the Administration might negotiate with the landlords in due course to renew the tenancies as appropriate so as to tie in with the targeted completion date of the project or identify new offices to accommodate these departments in the interim.

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Deputy Secretary for Financial Services and the Treasury (Treasury)³ supplemented that to facilitate Members' consideration of related government building projects, the Administration planned to bundle the funding proposal of TKO JUB with those of two other replacement building projects for accommodating, amongst others, the Water Supplies Department, Correctional Services Department and Drainage Services Department for submission to PWSC in March 2020.

10. The Deputy Chairman remarked that the Administration should provide financial information relating to the entire WCGOC relocation exercise when submitting the funding proposal of TKO JUB to PWSC, including the financial information relating to the four replacement building projects which had already been approved by FC.

(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)383/19-20(02) on 31 January 2020.)

11. Mr CHAN Kin-por noted that a footbridge would be constructed to connect TKO JUB with the vicinity and suggested extending the footbridge to one of the nearby MTR stations, i.e. the Tseung Kwon O or Tiu Keng Leng MTR Stations.

12. Assistant Commissioner/Transport Projects, Transport Department explained that there were footbridge systems connecting the Tiu Keng Leng Sports Centre (i.e. one of the exits of the proposed footbridge) with other developments around the area, which were connected to the MTR Tseung Kwan O Station. Moreover, there were public transport interchanges at both the MTR Tseung Kwan O and Tiu Keng Leng Stations, accommodating over 10 franchised bus and public light bus routes. In addition, those 10 plus franchised bus and public light bus routes ran along Po Yap Road with bus stops closed to the TKO JUB site. In response to Mr CHAN Kin-por's further enquiry, USFST advised that about 3 000 staff members would be working in TKO JUB, and their travelling pattern would be different from local residents. The Administration considered that the existing public transport services could cope with demand in the future.

Conclusion

13. The Deputy Chairman concluded that the Panel supported the Administration's plan to submit the funding application to PWSC and FC within the current legislative session.

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V Directorate staffing proposal of the Financial Services Branch of the Financial Services and the Treasury Bureau

(LC Paper No. CB(1)282/19-20(04) — Administration's paper on "Creation of two permanent directorate posts in Financial Services Branch of the Financial Services and the Treasury Bureau to spearhead various major policy and legislative initiatives"

LC Paper No. CB(1)282/19-20(05) — Background brief on making permanent two supernumerary directorate posts in the Financial Services Branch of the Financial Services and the Treasury Bureau prepared by the Legislative Council Secretariat)

Briefing by the Administration

14. At the invitation of the Deputy Chairman, Deputy Secretary for Financial Services and the Treasury (Financial Services)3 ("DS(FS)3") briefed members on the Administration's proposal to create two permanent directorate posts in the Financial Services Branch of the Financial Services and the Treasury Bureau ("FSTB"), i.e. one Administrative Officer Staff Grade B (D3) post, to be designated as DS(FS)3, with effect from 1 January 2021 or upon approval by FC, whichever was the later, and one Administrative Officer Staff Grade C (D2) post, to be designated as Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6 ("PAS(FS)6"), with effect from 1 January 2022 or upon FC's approval, whichever was the later. She said that currently, DS(FS)3 was a supernumerary post responsible for, inter alia, overseeing the policies and legislation relating to the accountancy sector, corporate insolvency, individual bankruptcy, companies, money lenders and trusts, measures to promote the development of financial technologies ("Fintech"), as well as matters relating to the Asian Infrastructure Investment Bank ("AIIB") and the Asian Development Bank ("ADB"). PAS(FS)6, which was also a supernumerary post, provided support to DS(FS)3, in particular for policy matters relating to companies, money lenders and trusts, measures to promote the development of Fintech, and

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Hong Kong's participation in AIIB and ADB. The supernumerary posts of DS(FS)3 and PAS(FS)6 would lapse on 1 January 2021 and 1 January 2022 respectively and the Administration considered it necessary to retain the two posts permanently. After seeking the Panel's view, the Administration would seek necessary approval from the Establishment Subcommittee and FC in due course.

Discussion

Development of financial technology

15. Mr CHAN Chun-ying expressed support for the staffing proposal as he noted that many duties taken up by the two posts were ongoing in nature. He enquired about the role of the two posts in promoting the development of Fintech in the banking and insurance sectors after the issuance of eight virtual bank licences and two virtual insurer authorizations in 2019 given that regulation of virtual banks and virtual insurers were under the purviews of the Hong Kong Monetary Authority and the Insurance Authority respectively. He further enquired about the division of work between FSTB and the Innovation and Technology Bureau ("ITB") in promoting the development of Fintech in Hong Kong.

16. DS(FS)3 responded that continuous high-level policy steering, particularly for regulatory coordination and market review, were necessary to bring about the full embracement of Fintech in the banking and insurance sectors. FSTB would continue to work closely with the two regulators to monitor market development, including the impact of issuing virtual bank and virtual insurer licences on the business and operation of traditional financial institutions, and consider whether and when new licences should be issued. As regards division of work, DS(FS)3 said that ITB was responsible for fostering the development of innovation and technology in various sectors as well as coordinating inter-bureau policy efforts in technology matters. In view of Hong Kong's traditional strengths in financial services, FSTB would focus on devising and pushing forward initiatives to facilitate the development of Fintech with a view to establishing Hong Kong as a leading Fintech hub in Asia. She remarked that the Administration would update the Panel on the latest development of Fintech in Hong Kong in the second quarter of 2020.

Regulation of money lenders

17. Ms Alice MAK said that she supported the proposal. She pointed out that the number of complaints against unscrupulous intermediaries had dropped because the Police had taken continuous targeted enforcements and the court rulings of some civil cases had revealed the problem of excessive interest rates

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charged by the money lenders concerned. With creation of the two posts, she urged that the Administration should enhance regulation of money lenders, conduct a review of the outdated provisions in the Money Lenders Ordinance (Cap. 163) ("MLO"), and consider setting up an independent authority to regulate the money lending industry. Moreover, she stressed the importance for the Administration to provide a concrete timetable for reviewing MLO.

18. DS(FS)3 responded that the public concerns over money lending-related malpractices a few years ago were mainly related to unscrupulous financial intermediaries associated with money lenders, and the Administration had implemented a four-pronged approach since 2016 to tackle the problems. The complaints against unscrupulous financial intermediaries had dropped significantly from some 600 cases in 2016 to less than 200 cases a year in both 2017 and 2018. That said, the Administration was mindful of the continuing public concerns over the money lending industry, particularly issues relating to excessive borrowing and high interest rates. In this regard, the Companies Registry was conducting a thematic survey on the unsecured personal loan business of licensed money lenders and the outcomes of the survey would form the basis to consider whether and how to further enhance the regulatory regime. The survey was expected to complete in the first quarter of 2020 and the Administration would update the Panel on the regulation of money lenders in the second quarter of 2020.

19. Mr CHAN Kin-por expressed support for the proposal. Mr CHAN and the Deputy Chairman sought information on the main duties and responsibilities of the two permanent posts of Deputy Secretary for Financial Services and the Treasury (Financial Services)¹ ("DS(FS)1") and Deputy Secretary for Financial Services and the Treasury (Financial Services)² ("DS(FS)2"), and how the Administration would ensure a balanced distribution of work among the three Deputy Secretaries.

20. DS(FS)3 explained that DS(FS)1 was mainly responsible for policy matters and legislation relating to securities and futures, asset and wealth management, banking and monetary matters, etc. which required close coordination across financial regulators. DS(FS)2 was mainly responsible for policy matters and legislation relating to the insurance sector, Mandatory Provident Fund schemes and other retirement schemes and there were a number of legislative exercises currently underway. Both of them were fully engaged with their existing policy initiatives and legislative exercises which were critical to the development of the financial services sector in Hong Kong. She further said that the duties and responsibilities of the three Deputy Secretaries would be reviewed from time to time and the Permanent Secretary for Financial Services and the Treasury (Financial Services) would make adjustments where necessary.

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21. The Deputy Chairman enquired about the progress in preparing a bill on introducing a statutory Corporate Rescue Procedure ("CRP") in Hong Kong, and whether DS(FS)3 was also responsible for monitoring the implementation of the CRP regime.

22. DS(FS)3 advised that the drafting work of the relevant bill was in the final stage. In view of the technical complexities of the bill, the Administration would further discuss with relevant stakeholders on the draft provisions in specific areas, and it was expected that the bill would be introduced into the Legislative Council in the second half of 2020.

Conclusion

23. The Deputy Chairman concluded that the Panel supported the Administration's proposal in principle.

VI Any other business

24. There being no other business, the meeting ended at 11:38 am.

Council Business Division 1
Legislative Council Secretariat
18 March 2020