

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 14 July 2021

The Council met at Eleven o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

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

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

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

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

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

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

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

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

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

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

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

THE HONOURABLE KWOK WAI-KEUNG, J.P.

THE HONOURABLE CHRISTOPHER CHEUNG WAH-FUNG, S.B.S., J.P.

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, G.B.S., M.H., J.P.

THE HONOURABLE CHUNG KWOK-PAN

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

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

THE HONOURABLE HOLDEN CHOW HO-DING

THE HONOURABLE SHIU KA-FAI, J.P.

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 CHEUNG KWOK-KWAN, J.P.

THE HONOURABLE LUK CHUNG-HUNG, J.P.

THE HONOURABLE LAU KWOK-FAN, M.H., J.P.

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

DR THE HONOURABLE CHENG CHUNG-TAI

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

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

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE TERESA CHENG YEUK-WAH, G.B.M., G.B.S., S.C.,
J.P.

SECRETARY FOR JUSTICE

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 KEVIN YEUNG YUN-HUNG, J.P.

SECRETARY FOR EDUCATION

THE HONOURABLE ALFRED SIT WING-HANG, J.P.
SECRETARY FOR INNOVATION AND TECHNOLOGY

THE HONOURABLE CHRISTOPHER HUI CHING-YU, J.P.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE TANG PING-KEUNG, P.D.S.M.
SECRETARY FOR SECURITY

MR TSE CHIN-WAN, B.B.S., J.P.
UNDER SECRETARY FOR THE ENVIRONMENT

MR LIU CHUN-SAN, J.P.
UNDER SECRETARY FOR DEVELOPMENT

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

MS DORA WAI, DEPUTY SECRETARY GENERAL

MS MIRANDA HON, ASSISTANT SECRETARY GENERAL

MR MATTHEW LOO, 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)

LAYING OF PAPERS 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	<i>Legal Notice No.</i>
Minor Employment Claims Adjudication Board Ordinance (Amendment of Schedule) Notice 2021	109 of 2021
Peak Tramway (Safety) (Amendment) Regulation 2018 (Commencement) Notice.....	110 of 2021

Other Papers

Prisoners' Welfare Fund

Report by the Commissioner of Correctional Services on the administration of the Fund for the year ended 31 March 2021 (including Financial Statements and Report of the Director of Audit)

Report of changes made to the approved Estimates of Expenditure during the third quarter of 2020-21

Public Finance Ordinance: Section 8(8)(b)

Report of the Public Accounts Committee on Report No. 76 of the Director of Audit on the Results of Value for Money Audits (July 2021—P.A.C. Report No. 76)

Finance Committee

Report on the examination of the Estimates of Expenditure 2021-2022

Report No. 22/20-21 of the House Committee on Consideration of Subsidiary Legislation and Other Instruments

ADDRESSES

PRESIDENT (in Cantonese): Addresses. Mr Abraham SHEK will address the Council on the "Public Accounts Committee Report No. 76".

Report of the Public Accounts Committee on Report No. 76 of the Director of Audit on the Results of Value for Money Audits (July 2021—P.A.C. Report No. 76)

MR ABRAHAM SHEK: President, on behalf of the Public Accounts Committee ("the Committee"), I have the honour to table our Report No. 76.

The Director of Audit's Report No. 76 ("the Audit Report") includes seven chapters which cover a variety of subjects on the administration of government programmes and the provision of public services by a total of 12 government bureaux and departments. After examining the observations contained in the Audit Report, the Committee has raised in-depth written questions with the bureaux and departments concerned. I would like to express my appreciation for the efforts made by the government units in providing detailed information for consideration by the Committee. After thorough study of the written responses, the Committee decided that a detailed investigation by way of public hearings was not required.

Having said that, in the course of examining the Audit Report, it has come to the Committee's notice that there were many cases where the practices of bureaux and departments had deviated from the established procedures, guidelines or even regulations. Many recommendations in the Audit Report called for measures to be taken by these units to follow up on non-compliant and outstanding cases. The Committee urges the Administration to ensure that all bureaux and departments as well as government-funded organizations learn from the Audit Report, and implement necessary measures to correct the shortcomings and prevent further and future non-compliance.

President, this is the 17th report of the Committee tabled in the Sixth Legislative Council. In the past nearly five years, the Committee has held 57 public hearings on 24 subjects, which ranged from the monitoring of public

works projects and maintenance of public rental housing flats to the provision of public toilets and management of funding for sports development. Although these subjects spread over a wide spectrum, certain common problems such as a lack of inter-departmental coordination and collaboration, inadequate supervision from bureaux over departments, issues relating to record keeping, contract administration and monitoring of public works projects were repeatedly identified by the Committee in the Director of Audit's reports.

The Committee has made many conclusions and recommendations to help relevant bureaux and departments overcome these problems and achieve value for money in the delivery of public services. I would like to stress that these conclusions and recommendations are made in a constructive and forward-looking manner. All bureaux, departments and government-funded organizations should learn from the Committee's reports as well as the Director of Audit's reports to overcome such problems. The Committee also hopes that the lessons learned will enable them to improve their governance, as good governance is essential for the effective use of public funds and the continued delivery of efficient and trusted public services.

Lastly, I would like to record my appreciation of the contributions made by members of the Committee. My gratitude goes to the Director of Audit and his team. The Committee cannot undertake its role and functions effectively without their unfailing support and assistance over the past five years. Thank you.

PRESIDENT (in Cantonese): Mr CHAN Kin-por will address the Council on the "Finance Committee Report on the examination of the Estimates of Expenditure 2021-2022".

Finance Committee Report on the examination of the Estimates of Expenditure 2021-2022

MR CHAN KIN-POR (in Cantonese): President, on behalf of the Finance Committee, I submit its Report on the examination of the Estimates of Expenditure 2021-2022.

The Finance Committee held a total of 21 sessions of special meetings in the middle of April this year to examine the Estimates of Expenditure 2021-2022, with the aim to ensure that the authorities are seeking a provision no more than is necessary for the execution of the policies approved.

Before the commencement of the special meetings, 42 Members submitted about 3 300 written questions on the Estimates of Expenditure, in which a relatively larger number of questions were focused on education, health, planning and lands, as well as food safety and environmental hygiene. The Administration, according to the undertaking it made earlier, submitted replies to all questions before the special meetings. As for the supplementary questions raised by Members during the special meetings, the Administration's replies to these questions were submitted before the third Budget meeting on 28 April 2021. The questions and replies were uploaded onto the website of the Legislative Council.

At the special meetings, Members raised questions on the Estimates of Expenditure, and they also expressed concerns and views on measures closely related to people's livelihood, such as the measures to combat the pandemic and to stimulate the economy referred to in the Budget. The proceedings of the special meetings are set out in the report.

Following the passage of the Appropriation Bill 2021 on 28 April 2021, the Finance Committee started to examine the funding requests submitted by the Financial Secretary for changing the approved Estimates of Expenditure.

President, the Finance Committee spent a total of approximately 28 hours completing the examination of the Estimates of Expenditure, the process of which was smooth in general. In this regard, I would like to extend my gratitude to Members for their enthusiastic participation and to the various Policy Bureaux and departments of the Government for their cooperation.

I so submit.

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Subscription arrangements for initial public offering of shares

1. **MR CHRISTOPHER CHEUNG** (in Cantonese): *According to the Listing Rules of the Stock Exchange of Hong Kong Limited ("SEHK"), where securities are offered to the public for subscription or purchase, issuers, their directors, sponsors and underwriters (collectively referred to as "the parties involved in the issue") must take reasonable steps to ensure that multiple or suspected multiple applications are identified and rejected. Regarding the subscription arrangements for initial public offering of shares ("IPO shares"), will the Government inform this Council:*

- (1) *whether it knows, among the individual investors who were allotted IPO shares in the past three years, the respective percentages of those whose places of residence were Hong Kong, the Mainland and other regions; the number of multiple subscription applications uncovered in the past three years, broken down by the applicants' places of residence;*
- (2) *whether it knows how the parties involved in the issue currently prevent investors from making multiple applications for subscribing for IPO shares, and if SEHK will implement new measures to prevent multiple applications; if SEHK will, of the details; if not, the reasons for that; and*
- (3) *as it has been reported that Mainland residents can, in general, successfully subscribe for the IPO shares of companies listed in Hong Kong, whereas it is difficult for Hong Kong people to subscribe for the IPO shares of companies listed on the Mainland, whether the Government strove, in the past three years, for the establishment of a channel by the Mainland authorities for individual investors in Hong Kong to subscribe for the IPO shares of companies listed on the Mainland; if not, of the reasons for that; if so, the details, and whether there is an implementation timetable?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, Hong Kong is a major global listing platform for companies from different jurisdictions. During the past 12 years, Hong Kong had, on average, over 120 new listed companies every year and ranked first in the

world seven times in terms of funds raised through initial public offerings ("IPOs"). Companies raising funds in Hong Kong through listing have to comply with laws and regulations including the Securities and Futures Ordinance, the Securities and Futures (Stock Market Listing) Rules, the Listing Rules, etc. The Listing Rules stipulate that listed companies, their directors, sponsors and underwriters must take reasonable steps to ensure that multiple or suspected multiple applications are identified and rejected.

Having consulted the Securities and Futures Commission ("SFC") and the Stock Exchange of Hong Kong Limited ("HKEX"), my reply to the three parts of the question raised by Mr Christopher CHEUNG is as follows:

(1) and (2)

During the past three years, the number of newly listed companies in Hong Kong ranged from 146 to 208 every year. The Listing Rules do not require listed companies to provide HKEX with geographical distribution of individual investors who are allotted shares during IPOs. The figures on invalid applications and rejected multiple or suspected multiple applications will be disclosed by individual listed companies at their "Announcement of Offer Price and Allotment Results" before listing. The Listing Rules do not require listed companies to provide HKEX with geographical distribution of rejected applicants involved in multiple or suspected multiple applications and HKEX does not maintain such data.

Listed companies however need to determine the eligibility of investors who can subscribe IPO shares of the companies having regard to the relevant laws and regulations mentioned above, set out relevant information in the prospectus and application forms including a warning in the IPO application form stating "only one application may be made for the benefit of any person", and require investors to make relevant declaration. Investors, who intend to make IPO subscription, should read the prospectus of listed companies before applying to understand whether they are subject to the restrictions of relevant application terms. Investors should also declare in the application forms to confirm that they will not violate relevant restrictions or make multiple application.

In general, listed companies will assign sponsors and/or share registrars to review and handle the above mentioned task of identifying and rejecting multiple subscriptions. When complaints about multiple applications are received or multiple applications are suspected, HKEX will require sponsors to address the issue and present the measures it has put in place to detect multiple applications, for example, measures in compliance with the "Best Practice Note on Treatment of Multiple/Suspected Multiple Applications" published by the Federation of Share Registrars. Sponsors will also be asked to confirm that the appointed share registrar has put in place appropriate systems and monitoring to produce a list of possible multiple applications for sponsors to review.

The Government and regulatory authorities strive to enhance the efficiency of Hong Kong's IPO process. HKEX issued a Concept Paper in November 2020 on modernizing Hong Kong's IPO settlement process and issued conclusions on 6 July this year, taking forward the establishment of an IPO settlement platform named "FINI" to allow sponsors, share registrars, securities brokers and regulatory authorities, etc., to process IPO applications simultaneously on an electronic platform. It will expedite the IPO process and reduce market risks of investors. At the same time, to assist relevant institutions to strengthen their capabilities of identifying multiple subscriptions, HKEX will standardize information that investors are required to provide when subscribing shares in the public offer tranche of IPO, which include the applicant's full name, identity document number, issuing jurisdiction, etc., for relevant parties to identify and reject multiple subscription applications through the "FINI" platform.

- (3) Generally speaking, Hong Kong investors, when complying with local laws and regulations, can subscribe or trade shares of listed companies in other jurisdictions. For example, Hong Kong residents who work and live in the Mainland may subscribe or trade shares of companies listed on Mainland exchanges through qualified Mainland securities firms in accordance with the Mainland laws and regulations. At the same time, Hong Kong investors may also trade Mainland stocks through the northbound trading of Shanghai-Hong

Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The Government and regulatory authorities have been working to deepen the mutual access between Hong Kong and Mainland financial markets and will continue to discuss with relevant Mainland authorities to provide more categories of investment products for investors, with a view to further strengthening Hong Kong's role in connecting Mainland and international financial markets as well as Hong Kong's position as an international financial centre.

MR CHRISTOPHER CHEUNG (in Cantonese): *President, the industry has repeatedly reflected to SFC over the years that the problem of making multiple applications for IPO shares subscription is very serious. However, after all these years, the regulatory authorities, HKEX, and share registrars have "taken the advice without changing the attitude". There is a situation in the IPO market that the allotment rate of retail investors applying for IPO shares is less than 1%, and margin applications even lose money. There are also some Mainland investors who have submitted three applications for the same stock through different securities companies with their Mainland identity cards, passports and Hong Kong identity cards. Therefore, I hope the Government will pay attention to this problem.*

May I ask the Secretary whether the Government has the determination to deal with and resolve these unreasonable practices? Will it require investors from different places to use only one type of identity document to register their accounts for the allotment, so as to solve the problem of multiple applications once and for all?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, as Mr CHEUNG has said just now, the Government and the regulatory authorities attach great importance to the fairness of IPO application matters. SFC and HKEX have all along concerned about the problem of multiple IPO applications.

As I have mentioned in the main reply, at present, IPO applicants are required to make a declaration when submitting their IPO applications to state that they have not made multiple applications. Listed companies will generally

identify and reject multiple IPO applications by assigning sponsors and/or share registrars to handle the task. The "Best Practice Note on Treatment of Multiple/Suspected Multiple Applications" published by the Federation of Share Registrars also states that share registrars should put in place appropriate systems and monitoring to produce a list of possible multiple applications. I have just cited the ways to handle different cases of suspected multiple applications, including those mentioned by Mr CHEUNG just now. For example, if the names and identity card numbers of the applicants are identical, these applications will be regarded as multiple applications and rejected. If the names of the applicants are the same but the numbers of their identification documents are not the same, these applications should continue to be processed, and so on.

In fact, listed companies and their IPO teams need to take appropriate measures to deal with suspected multiple IPO applications according to their own circumstances. When complaints are received about multiple applications or suspected multiple applications, HKEX will ask sponsors to address these matters and present the measures they have put in place to detect multiple applications.

The next step, as mentioned by Mr CHEUNG just now, requires determination. In fact, we now expect that FINI will be launched in the fourth quarter of next year at the earliest. As I have stated in the main reply, this system will strengthen the capabilities of identifying multiple subscriptions in processing IPO applications and further reduce the possibility of multiple subscriptions. Specifically, HKEX will standardize the information that investors are required to provide when subscribing shares in the public offer tranche of IPO, which include the applicant's full name, identity document number, issuing jurisdiction, etc., for relevant parties to identify and reject multiple subscription applications through the FINI platform.

In a word, I take the question raised by Mr CHEUNG just now very seriously, including how we and the regulatory authorities handle the fairness of IPO applications and our ongoing concern about whether there are multiple applications. At present, rules and mechanisms are in place to deal with this. In the future, we will be able to make more progress and enhancement in this area of our work with the aid of this technology tool.

MR CHAN CHUN-YING (in Cantonese): *President, at present, uncovered multiple subscription applications will only become invalid and hence, the deterrent effect on multiple applicants is quite limited.*

I would like to ask the authorities whether they will consider increasing the penalties in the future so that if multiple applications are uncovered, these multiple applicants should at least be prohibited from subscribing for new shares for a period of time in order to achieve some deterrent effect in this regard.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, the concerns expressed by Mr CHAN and Mr CHEUNG just now are quite similar, that is, what is the role of investors in submitting multiple IPO subscription applications? Or what else can be done at the level of the Government or the regulatory authorities?

Apart from the FINI platform, which I mentioned just now, to provide a single platform in the long run for IPO applications to enhance the capability to deal with this issue, the Government and the regulatory authorities have currently put in place measures, for example, the existing requirement for applicants to make a declaration to listed companies and their teams, including sponsors and underwriters, when submitting IPO applications, stating that they have not made multiple applications.

As Mr CHAN mentioned earlier, what can be done when someone violates the declaration, that is, when he is not so "well-behaved"? If he violates the declaration, we can pursue the case through legal channels and multiple IPO applications will also be rejected. For example, should listed companies and their teams uncover any suspected fraud cases that need to be investigated by the police, they will also refer the details of the relevant share subscription applications to the police for follow-up, so it cannot be said that the present situation is not subject to any regulation. There are both existing rules and channels. In the future, we will make use of the FINI platform, an enhanced technology tool, to further strengthen our work in this area.

MR ABRAHAM SHEK (in Cantonese): *President, may I ask the Secretary to explain how to prevent multiple applications in Hong Kong and regulate these applications from the perspective of AML, that is, anti-money laundering?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I would like to respond in two aspects.

First of all, let me talk about the current situation. I have already set out in my main reply some of the statutory listing requirements that companies need to meet at present. In response to Mr SHEK's question just now, first, there are legal requirements, including the Securities and Futures Ordinance and a series of listing rules and regulations, which impose certain requirements on multiple applications. Specifically, the responsibility actually falls on the listed company, the sponsor and the share registrar which are required to ensure that given their measures or arrangements, the applicant or the share subscriber has to make certain declaration and disclosure to show that he has not made multiple applications.

If we receive a complaint and see such a situation, HKEX will actually make enquiries, look into and follow up the case through the listed company to find out what these measures are. In fact, we have been using this approach in the past, including share subscribers' own declaration to which I have referred just now. If they did submit multiple applications and we receive a complaint and see that there is such a situation, there is actually a way to deal with it, either through legal channels or even referral to the police. This is the current legal requirements and regulatory arrangements, as well as the responsibility of share subscribers, which are clear.

The next step is to find ways to further enhance the regulatory capability on the whole through technological means. As you can see, I expect that next year HKEX will launch this FINI platform, which is a centralized platform with all the information, including the name of the share subscriber, identity document number, etc. With this centralized platform, all parties can access the information which is clearly shown. Compared to the current platform, which is not so automated and not so highly technological, there will be a great enhancement. This is actually a very good way to enable us to strengthen regulation in this area, so that we can have better technological means under the current regulatory legislation or regulatory approach to enable us to do a better job in this part of the work.

MS STARRY LEE (in Cantonese): *President, according to Mr CHEUNG, the industry has often pointed out that multiple subscriptions or possible irregular subscriptions are common, but the Secretary has repeatedly replied that there are mechanisms and ways to deal with such cases.*

May I ask the Secretary how many breaches cases have been identified by these mechanisms in the past? What were the penalties imposed on them? Does he think they were effective? If not, I think the proposal put forward by Mr CHAN Chun-ying can be adopted and considered in the short term. As a matter of fact, we now rely on the sponsors to deal with this problem but I guess it has not been addressed actually. The current penalty is too lenient compared to the amount of money they may make, so they will continue to do it in this way. Can you provide us with such information?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, at the regulatory level, there are of course certain rules and requirements, but what I have just said is that if HKEX receives some complaints or reports from the market about the existence of such cases, it will follow them up through the listed company and the sponsor. However, this does not mean that the listed company itself is not responsible or can "get away with this", because according to the listing rules, HKEX can take appropriate actions against the listed company, including a public censure, and in more extreme or serious cases, it even has the power to suspend the trading of the listed company's shares. Therefore, it is a "tiger with teeth" at present.

At the same time, in the entire process, it is not that we will take certain immediate action whenever something happens. There is an interaction. In the investigation, we will ask the listed company and the sponsor what measures are in place to prevent such a situation, and HKEX must be satisfied that the measures are adequate and sufficient before they can be implemented. As such, the specific figures may not necessarily reflect the full picture. For most of the time, the figures themselves reflect that incidents have occurred or charges have been laid.

Frankly speaking, in the whole regulatory process, we will look into the core and nature of the matter through inquiries, searches and communication. In this regard, the situation is not necessarily reflected in the numbers. Nevertheless, more specifically, this has reflected the powers available in terms of law, the means available in terms of regulation, and the new platform available to us in terms of technology in the future, so that the work in this area can be done better. All in all, we attach importance to this matter and will use various means to enhance our effectiveness and efficiency in this area.

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

MS STARRY LEE (in Cantonese): *The Secretary has not answered how many breaches cases have been detected. Can he give a clear answer? I think the number of cases identified will tell us whether they are effective or not. Will the Secretary please give a direct reply?*

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

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): I have already answered this from another angle in my reply to Deputy President LEE. What I want to say is that it is not necessary to find out how many cases there are before concluding that there is such a situation. After all, this is an interactive arrangement or process. As a regulator, if it receives complaints or reports from the public or other parties, it will not say "you are in trouble" right away. There will be a process of inquiry and searches before returning to the listed company to find out what means and arrangements the sponsor and various levels have put in place. The figures themselves do not reflect the effectiveness of the whole thing.

If I have not misinterpreted Deputy President LEE's supplementary question, she wants to gauge the effectiveness of our work. What I want to say is that the size or number of figures is actually not enough to reflect the effectiveness as effectiveness is not reflected in "quantity" but in "quality". Ex ante communication and searches are also part of the work.

MR CHRISTOPHER CHEUNG (in Cantonese): *President, although the Government does not have clear statistics showing the number of Mainlanders and local people applying for IPOs. However, some securities companies say that they have tens of thousands of applications from Mainland clients every time there is an IPO offering. I would now like to ask the Secretary whether they have formulated a new IPO allocation mechanism requiring IPO issuers to allocate a certain percentage of IPO shares to local investors when they make public offerings, so as to protect the interests of local investors?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, as an international financial centre, be it in a local or an overseas context, our advantage in the whole market, I believe, is our open-mindedness and receptiveness. In other words, we do not set our own limits. Therefore, in all aspects, including the investors as mentioned by Mr CHEUNG just now, the maximization of market interest actually hinges on how we can continue to develop the market, so as to further enhance our open-mindedness and receptiveness. In the next step, as regards the situation cited by Mr CHEUNG earlier that there are over 10 000 or tens of thousands of multiple applications, I suggest that such cases, if any, can be referred to us and we will handle them through existing means.

PRESIDENT (in Cantonese): Second question.

Vaccination records

2. **IR DR LO WAI-KWOK** (in Cantonese): *President, on the basis of "vaccine bubble", the Government has implemented less stringent social distancing measures for those persons who have received vaccination against the Coronavirus Disease 2019 ("vaccination"). Moreover, members of the public may scan the QR codes on their paper or electronic vaccination records (collectively referred to as "vaccination records") to store the vaccination records in the "LeaveHomeSafe" mobile application for checking by the persons-in-charge of scheduled premises or law enforcement officers when necessary. In this connection, will the Government inform this Council:*

- (1) *given that a single vaccination record can be stored in more than one LeaveHomeSafe accounts since the procedure for storing vaccination records does not involve identity authentication, whether the Government will plug this loophole as soon as possible and step up the verification of the identity of the holders of vaccination records on those premises the entry to which is restricted to persons who have received vaccination, in order to avoid a gap in epidemic prevention; if so, of the details; if not, the reasons for that;*

- (2) *whether it will weigh afresh the importance of epidemic prevention against that of protection of personal privacy, and suitably incorporate identity authentication and tracking functions in the LeaveHomeSafe application; if so, of the details; if not, the reasons for that; and*
- (3) *whether it will expedite the discussion with the Mainland authorities the establishment of a mechanism for mutual recognition of the electronic vaccination records of the two places (including allowing Hong Kong's LeaveHomeSafe application and the Guangdong Province's "Yuekang Code" application to mutually recognize and store the vaccination records of the two places), in order to assist in striving for an early resumption of normal traveller clearance between Hong Kong and the Mainland; if so, of the details; if not, the reasons for that?*

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Cantonese):

President, over the past three months, the Hong Kong Special Administration Region ("HKSAR") Government has adopted the new direction in fighting against the epidemic as announced on 12 April. Under the basis of "vaccine bubble", social distancing measures are relaxed with a view to responding to the aspirations of various trades and the public to resume normal business and daily lives as soon as possible. In the light of the stabilization of the local epidemic situation and the steady increase of vaccination rate, the social distancing measures under the second phase of "vaccine bubble" already took effect on 24 June.

With regard to Ir Dr LO's question, in consultation with the Food and Health Bureau ("FHB") and the Constitutional and Mainland Affairs Bureau ("CMAB"), my replies are as follows:

- (1) Under the "vaccine bubble", members of the public are required to present vaccination records and use the "LeaveHomeSafe" when entering certain designated venues. On 1 June 2021, the Government launched the "LeaveHomeSafe" version 2.0, which added the new function of storing electronic vaccination, providing members of the public with an additional way to store and for display if necessary. In response to the public's concern over

personal privacy, users of the "LeaveHomeSafe" can use the app without registering any personal information. Similar to visit records, the electronic vaccination records stored in the app will only be saved in the user's mobile phone and will not be uploaded to any other systems. The app will verify the authenticity of the QR code when the user stores the electronic vaccination record. However, the app cannot verify whether the user is the owner of the vaccination record, nor whether the vaccination record has been stored on other mobile devices.

Same as the paper vaccination record with personal data, the QR code of the electronic vaccination record also contains personal data. When designated law enforcement agencies, such as the staff of the Food and Environmental Hygiene Department ("FEHD"), conduct inspections and enforcement operations, they will check the personal data in the QR code and authenticate the QR code content to verify the identity of the QR code holder if necessary. Members of the public should properly keep their paper and electronic vaccination records. They should not causally send such information to others, share them on social media, save their own vaccination records to other people's "LeaveHomeSafe", nor to save other people's vaccination records to their own "LeaveHomeSafe". We will continue to remind the public through various channels not to break the law by using other people's electronic vaccination records or fake vaccination records.

Meanwhile, according to the directions issued under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F), operator(s) of catering business premises or manager(s) of scheduled premises are required to use the "QR Code Verification Scanner" mobile app provided by the Government to scan the customers' QR codes for COVID-19 vaccination records for checking whether the customers have complied with the relevant requirements. Relevant responsible person or manager who contravene the statutory requirements would have committed a criminal offence and subject to a maximum fine of \$50,000 and imprisonment for six months. In addition, the Government has amended Cap. 599F to enhance deterrence by requiring persons who are present at any catering business premises

or scheduled premises to comply with the requirements applicable to them. Non-compliance with the relevant requirements would be an offence and offenders are subject to a maximum fine of \$10,000. In particular, if the relevant person makes false declarations or provides false information, that would be regarded as non-compliance with the requirements and he/she would be subject to a fixed penalty of \$5,000. Relevant departments will also step up enforcement of the anti-epidemic regulations, including ensuring that customers present authentic COVID-19 vaccination records.

- (2) Through the "LeaveHomeSafe", the Government alerts potentially infected individuals to raise awareness and get tested as early as possible. Since the launch of the app, the number of downloads has so far exceeded 4.8 million. About 91 000 public and private venues have participated in the scheme to display the "LeaveHomeSafe" venue QR code for members of the public to scan and record their visits. About 310 confirmed patients uploaded their visit records from their mobile phones to the Center for Health Protection through the "LeaveHomeSafe" mobile app. In addition, more than 57 000 users went to community testing centers for free testing upon receipt of exposure notification.

As I have mentioned earlier, the "LeaveHomeSafe" does not require registration of any personal information and does not have a tracking function nor recording of any geographical location information of the user. We believe that the current arrangement is effective in striking a balancing between the need for epidemic prevention and the public's concern for personal privacy.

- (3) Spearheaded by CMAB, the HKSAR Government has been communicating and liaising closely with the governments of Guangdong Province and the Macao Special Administrative Region on measures for epidemic prevention and control in three places. In order to facilitate early resumption of normal cross-boundary flow of people amongst the three places in an orderly manner, the HKSAR Government will on the one hand continue to closely monitor and control the epidemic situation, and to speed up vaccination for members of the public. Meanwhile, we will maintain close liaison with the Guangdong Province and the Macao Special Administrative

Region to actively explore the resumption of normal cross-boundary activities amongst the three places in a gradual and orderly manner, on the premise that the epidemic situation in the three places is under control and without posing additional public health risks.

For those who have received COVID-19 vaccination outside of Hong Kong (including the Mainland), apart from the vaccines recognized for use in Hong Kong, vaccines on the World Health Organization ("WHO") Emergency Use Listing or Pre-qualification lists, vaccines recognized for use by Stringent Regulatory Authorities as designated by WHO or the National Medical Products Administration, as well as vaccines recommended by the Joint Scientific Committee joined by the Chief Executive's expert advisory panel are also accepted for the arrangements under the "vaccine bubble" (including measures for social distancing and border control). The Government has uploaded the list of relevant vaccines to the COVID-19 thematic website, and will update the list from time to time.

For those who have completed vaccination outside of Hong Kong with the vaccines concerned, currently they can present their vaccination records issued by the relevant local authorities to meet the requirements for shortening of compulsory quarantine period under the "vaccine bubble". Furthermore, FHB has been studying the inclusion of vaccination records of Hong Kong citizens who have received vaccination outside of Hong Kong, by way of declaration, to digitally input the records into the Government's vaccination record database. A QR code on the vaccination record will be provided to them to facilitate their entry into catering businesses premises or scheduled premises where the relevant requirements regarding COVID-19 vaccination are applicable. By then, these people can use the "LeaveHomeSafe" to scan the QR codes, and store their vaccination records and QR codes in their mobile phones.

Besides, the Office of the Government Chief Information Officer is enhancing the functionality of the "Hong Kong Health Code" system so that the vaccination records stored in the Government's vaccination record database will be added to the "Hong Kong Health Code". In the future, members of the public can conveniently use

the health code's conversion function to submit the required information to enter Guangdong and Macao for the applications of their health codes. The relevant system will be put into service when the scheme is launched.

IR DR LO WAI-KWOK (in Cantonese): *President, Secretary for Innovation and Technology mentioned the "Hong Kong Health Code" in his main reply a moment ago, indicating that the system would add the vaccination records of members of the public into the "Hong Kong Health Code". President, many people only know that the HKSAR Government has launched the "LeaveHomeSafe", but they do not know that the Government has established the "Hong Kong Health Code" system. Even if some people are aware of or have heard of this system, they do not know what functions the "Hong Kong Health Code" actually has. I would like to ask the Secretary, as the Secretary has said in his main reply that the "LeaveHomeSafe" has limited functions, does the "Hong Kong Health Code" have the same functions of the "Yuekang Code" or the "Macao Health Code"? Why do they not implement the "Hong Kong Health Code" as early as possible to enable members of the public to register and familiarize themselves with its operation, as well as making early preparation for the resumption of traveller clearance in the future?*

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Cantonese): *President, I thank Ir Dr LO for his suggestion and supplementary question. The "Hong Kong Health Code" was ready for implementation to support the resumption of traveller clearance among the three places as early as in June last year. Yet, we were unable to fully implement the "Hong Kong Health Code" due to changes of the epidemic situation. The "Hong Kong Health Code" is mainly used by Hong Kong residents when travelling between Hong Kong, Macao and Guangdong Province, and the Code will be converted into the "Yuekang Code" and the "Macao Health Code" en route. Hong Kong residents can obtain the "Yuekang Code" and the "Macao Health Code" by means of the conversion function, so that they can move around and carry out their relevant work freely in the Mainland and Macao. During this process, the "Hong Kong Health Code" is only used for customs clearance. Therefore, under the relevant arrangement, those who have crossed the border before might be more familiar with the "Hong Kong Health Code". However, under the current epidemic situation, most Hong Kong people still do not have the chance to use the "Hong*

Kong Health Code" since traveller clearance has yet to be resumed. As such, what Ir Dr LO said is true, there may not be a lot of Hong Kong people who are very familiar with the "Hong Kong Health Code".

Having said that, it is my personal expectation that the "Hong Kong Health Code" can facilitate the customs clearance of Hong Kong people provided that Hong Kong can gradually resume traveller clearance as a result of the orderly progress of anti-epidemic efforts. The arrangement in Hong Kong at present is that we would enhance our anti-epidemic efforts by adopting different technological means and various anti-epidemic measures, whereas the "LeaveHomeSafe" is merely one of the tools. Regarding the "Hong Kong Health Code", as I have said earlier, it is intended to prepare for Hong Kong's resumption of traveller clearance in the future.

MR JIMMY NG (in Cantonese): *President, although the Secretary has explained just now that the "Hong Kong Health Code" is used for customs clearance, I think members of the public are indeed not quite familiar with it. Could the Secretary explain whether it is necessary to upload personal information to the "Hong Kong Health Code" under the arrangement of the Code? On the other hand, while the "LeaveHomeSafe" is currently used in Hong Kong, I have noticed that many people would still choose to fill in a form when they go to a restaurant or eatery. I would like to ask the Bureau, although there are so many laws requiring them to do certain things, and they would be liable to penalty in case of violation, has FHB really sent staff over the past year to conduct inspections and verify the information written on such forms, or whether other people's vaccination records are saved to the "LeaveHomeSafe"? If so, how many inspections have been conducted? Has any prosecution been initiated after conducting so many inspections?*

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Cantonese): President, I will leave the second part of the supplementary question put forward by Mr NG just now for Prof CHAN, Secretary for Food and Health, to reply at a later time.

The first part of the supplementary question involves the "Hong Kong Health Code". As I have mentioned earlier, the "Hong Kong Health Code" is used for customs clearance, and during the process, regarding the "Hong Kong

Health Code" that we prepared in June last year, it is most important to ensure that the relevant persons have received the relevant tests, and then have their personal data (including their name and document number) for customs clearance or travelling recorded in the "Hong Kong Health Code". Subsequently, they can use the conversion function on the website for the application of the "Yuekang Code" or the "Macao Health Code" to fill in the information required for entering Guangdong Province or the Macao SAR in order to obtain the "Yuekang Code" and the "Macao Health Code". They can then work or live in Guangdong Province and Macao with the "Yuekang Code" and the "Macao Health Code". During this process, they need to upload some personal data, such as their name and document information which I have mentioned earlier, to the relevant databases for use by the governments of the two places.

PRESIDENT (in Cantonese): Secretary for Food and Health, please reply.

SECRETARY FOR FOOD AND HEALTH (in Cantonese): President, my thanks go to Mr NG for his supplementary question. With regard to the inspections of some scheduled premises and catering business premises conducted by FEHD at present, we have in fact classified such premises into Types A, B, C and D under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation, i.e. Cap. 599F. Of course, customers of premises under Type D or C Mode of Operation must download the "LeaveHomeSafe" and scan the QR code before entering the restaurants. In view of this, FEHD will step up inspections. On the one hand, if any problem is spotted at these premises ... Premises operators must ensure that the customers have received the first dose of COVID-19 vaccine. During inspections, FEHD would use a "QR Code Verification Scanner" to scan the QR codes presented by the staff and customers at the premises containing the COVID-19 vaccination records, and to verify the identity of the relevant persons so as to ascertain the authenticity of their COVID-19 vaccination records.

As regards the figures, during the period between 29 April on which the "vaccine bubble" came into effect and 12 July, FEHD conducted in total more than 51 700 and 760 inspections of catering business premises and scheduled premises respectively, and initiated 120 prosecutions against premises operators suspected of breaching the requirements. Among such cases, prosecution proceedings have been initiated against the responsible persons of two catering

business premises and three scheduled premises for failing to ensure that their customers or staff have received COVID-19 vaccination in accordance with the relevant regulations. FEHD has also issued fixed penalty notices to three customers or staff members of scheduled premises for failing to present their COVID-19 vaccination records. In the future, FEHD will continue to step up inspections across the territory and will take joint actions with the Police to ensure strict compliance of the regulations by restaurant operators and members of the public. Enforcement actions will also be taken against offenders with a view to minimizing the risk of spreading COVID-19 in restaurants.

MR CHAN CHUN-YING (in Cantonese): *President, if the Government would not consider adding an identity authentication function to the "LeaveHomeSafe" application, it will likely create loopholes in epidemic prevention in case someone uses other people's vaccination records to enter the catering premises. I also enquired about this issue at the meeting of the Subcommittee on Subsidiary Legislation Relating to the Prevention and Control of Disease held yesterday. The Bureau indicated that so far they have not found anyone using other people's vaccination records during their inspections. Nevertheless, given that people's electronic vaccination records are kept in both the "iAM Smart" system and the Electronic Health Record Sharing System ("eHRSS"), will the authorities consider requiring members of the public to present their electronic vaccination records in "iAM Smart" or "eHRSS" instead of presenting the vaccination records in the "LeaveHomeSafe"? Are there any technical difficulties that render it impossible to do so?*

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Cantonese): President, I thank Mr CHAN for his supplementary question. As a matter of fact, the purpose of allowing electronic vaccination records to be saved in the "LeaveHomeSafe" is to provide an additional channel for the public to use and bring along their electronic vaccination records conveniently. "iAM Smart" and "eHRSS" can also perform the same function in that electronic vaccination records can be saved in these systems as well. Of course, we will actively consider the suggestion put forth by Mr CHAN just now to examine how we can do a better job in the prevention and control of the epidemic while providing convenience to the public. Yet, I would like to emphasize that during the process, it is most important that members of the public, being the owners of vaccination records, should keep their vaccination records carefully and avoid

sharing their vaccination records with others because such records contain some authentication information including their personal data. This is the same as our identity cards or passports, which contain our personal data, so we must protect them properly and prevent from being abused by others. From the Government's perspective, we also hope to avoid such abuse through inspections, but we have to find out how to strike a proper balance in the process. On the one hand, we hope to bring convenience and benefits to members of the public; while on the other hand, we must also minimize abuse, so as not to undermine our anti-epidemic work. Rightly as Mr CHAN has raised earlier or Secretary Prof CHAN has said a short while ago, we will continue to conduct inspections to understand the actual situation of the market or the current situation, and if some circumstances arises making us feel that it is necessary to adjust or even tighten the measures, we stand ready to make complementary actions in order to do better in epidemic prevention.

MRS REGINA IP (in Cantonese): *President, in fact, the key point of Ir Dr LO Wai-kwok's main question is whether the Government could weigh afresh the protection of personal privacy against enhancing the tracking capability, which I think the Secretary has not answered. The Secretary has admitted that at present, this application does not have a tracking function nor will it record any geographical location information. This in fact imposes a major limitation since tracking cannot be done with this application but should be done manually, which will undermine its effectiveness. Why can they not consider it afresh? If it is because members of the public are afraid of intrusion of privacy, actually we have installed so many applications on our mobile phones which are tracking our activities every day, right? We ourselves would also activate some applications to let people know where we are, why can we not explain to the public clearly?*

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Cantonese): President, I thank the Member for her supplementary question. Regarding how we can strike a balance between the public's privacy concerns and making anti-epidemic efforts properly, this is one of the key points we would consider in the course of thinking about taking forward anti-epidemic measures. During this process, it is of utmost importance to deal with the issue more properly in response to the public's concerns, such that they would feel more comfortable to use the anti-epidemic tools provided by us. Therefore, when we are considering the "LeaveHomeSafe", we would take the privacy concerns of the public into

consideration to make this tool more widely used by the public. As I have mentioned earlier, the number of downloads of the "LeaveHomeSafe" has reached 4.8 million, but we understand the issues mentioned by Mrs Regina IP. The "LeaveHomeSafe" will become more effective if relevant personal data can also be recorded, or if there are even some programmes to record people's whereabouts as well. Then this tool will render our anti-epidemic efforts more effective. Notwithstanding this, I would like to say that the various means currently adopted in Hong Kong to prevent and control the epidemic are gradually delivering results. Therefore, I think that a balance has been struck. While promoting the extensive use of technology by the public, we can, at the same time, do a good job and achieve some results in the prevention and control of the epidemic. Hong Kong has been doing pretty good for the time being, and this is the response that I would like to make.

PRESIDENT (in Cantonese): Third question.

Developing topside properties at the railway stations

3. **MRS REGINA IP** (in Cantonese): *President, under the "ownership" approach and the "Rail-plus-Property development" model, the MTR Corporation Limited ("MTRCL") is responsible for the construction and operation of new railways, and it will be granted the development rights of the topside properties at the railway stations by the Government for subsidizing the railway construction costs. It has been reported that MTRCL had reaped lucrative profits from property developments over the years. In this connection, will the Government inform this Council whether it will specify the permitted rate of return ("RoR") of MTRCL with regard to property developments (with the relevant level to be determined by drawing reference from the permitted RoR of the two power companies, i.e. 8% on their average net fixed assets), and require MTRCL to hand over the remaining property units to the Government for public housing use once the permitted RoR is reached; if so, of the details; if not, the reasons for that?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, after consulting Financial Services and the Treasury Bureau, my consolidated reply to the question raised by Mrs Regina IP is as follows:

Under the "ownership" approach, the MTR Corporation Limited ("MTRCL") will be responsible for the financing, design, construction, operation and maintenance of the new railway, and ultimately owns the railway. Given the huge investment in a railway project, the income generated from transport operations and station commercial business often fails to balance the expenditure. As such, the Government provides funding support to bridge the funding gap for "financially infeasible" projects (i.e. the present value of all its revenues net of expenditures fall short of the expected return on capital). For most railway projects in the past, the Government has adopted the "Rail-plus-Property (R+P)" model to provide funding support so that the railway line could be operated sustainably. Projects that are unable to be funded by suitable properties (such as the West Island Line project) will be supported by non-recurrent capital grant.

According to the R+P model, when the Government executes the project agreement with MTRCL, the Government grants property development rights based on the funding gap of the railway project, enabling MTRCL to bridge the funding gap by the property development profits. Upon receipt of the Government's funding support, MTRCL would bear all the commercial risks associated with the design, construction, operation and maintenance of the new railway. The Government has no obligation to provide any further funding support to MTRCL even if the future revenue of the new railway project is lower than expected. The model also brings other operational benefits such as unleashing the development potential of land along the railway. Not only does it increase housing supply, it also allows MTRCL to coordinate the enabling works of the property development and the railway works in order to facilitate the project delivery by smoothening the interfaces among the station, depot and property development project.

Introducing a mechanism of the permitted rate of return will fundamentally change MTRCL's business model. MTRCL is a major public transport service operator in Hong Kong; the Government has to study in detail the rationale for the introduction of the above mechanism, and consider relevant factors including the impact on the MTRCL's finance and operation, the impact on the overall public transport services, and the impact on the Government's financial income, etc. The Government has no relevant plan at this stage.

The R+P sites were generally used for the development of private housing in the past to maximize the value of the sites and meet the need of bridging the funding gap for railway projects. If part of the R+P site is used for the construction of Subsidised Sale Flats, it will reduce the feasibility of the

development property for subsidizing railway projects. The feasibility of the plan depends on whether there are sufficient sites along the proposed railway for public and private housing development while generating sufficient profit to bridge the funding gap.

We fully understand Mrs Regina IP's intention behind the question is that more public housing units have to be built to meet the housing demand of the grass roots in Hong Kong. My response is that the Government has been exploring the development potential for public housing of sites near the railways. For instance, the Government has drawn up the Outline Zoning Plan for the approximately 30-hectare Siu Ho Wan Depot site. This development project is expected to provide about 20 000 units in the medium-to-long term, with about half for public housing which are mainly Subsidised Sale Flats according to the current plan. In addition, during the planning of the Tung Chung East extension area, the Government reserved part of the land near Tung Chung East Station for public housing development, including about 10 000 public housing units that are being constructed under the public housing development projects for Tung Chung Areas 99 and 100.

Also, the Hung Shui Kiu/Ha Tsuen New Development Area is expected to supply 61 000 housing units in the medium-to-long term, including about 31 200 public housing units, some of which are proximate to the planned Hung Shui Kiu Station. Under the current shortage of the public housing supply, we will make our best endeavour to compress and speed up statutory procedures, site formation, infrastructural works and construction works to cope with the housing need of the grass roots. Mrs Regina IP, please rest assured that we will follow up to address your concerns appropriately.

Besides, there has already been the "Profitability-Linked Arrangement" in the current Fare Adjustment Mechanism to address the public concerns about the correlation between MTRCL's profitability and fare adjustment. MTRCL will set aside an amount of fare concessions to be shared with passengers each year corresponding to the underlying business profit level in the previous year by reference to a predetermined tiered table. The underlying business profits include profits from all MTRCL businesses, i.e. profits from Hong Kong transport operations, Hong Kong station commercial business, Hong Kong property rental and management business, property developments, as well as profit from MTRCL's non-local ventures (profit arising from investment property revaluation is excluded).

MRS REGINA IP (in Cantonese): *President, I am very disappointed with the Secretary's answer, but I am not surprised because the SAR Government has all along lacked new ideas and refused to think of new models.*

This model of development, that is, "using land to subsidize railway development", has a long history since the colonial era. The British were good at calculation. As they did not want to run a deficit, they granted land to MTRCL to build housing to cover railway construction cost. However, due to growing land scarcity and escalating housing prices, MTRCL has reaped lucrative profits. In particular, we now see that MTRCL will build the Tuen Mun South Station, four stations on the Northern Link, and an additional station at Hung Shui Kiu. I believe that MTRCL has even proposed to develop housing at Siu Ho Wan depot site, though the process is comparable to ants moving home and takes a long time, because it sees the huge profits to be brought by housing construction.

Given the huge potential benefits involved, the Government should reconsider the regulatory approach towards MTRCL. Let us not forget that MTRCL has a monopoly in two aspects. Firstly, according to the Mass Transit Railway Ordinance, since the merger of MTRCL and the Kowloon-Canton Railway Corporation, MTRCL has monopolized railway construction. Secondly, it has monopolized the best property developments in Hong Kong. Therefore, the Government should think it over again, and I will not give up. The Secretary worries that once this model is changed, the operation of railway services may be affected. Then I would like to ask, as MTRCL has now become a property developer, which has partnered with other developers to bid for land, and has even submitted a bid for Site 3, as well as doing business at a loss in Sweden, why does the Secretary not say that those activities will affect the local transport services?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): *President, I would like to thank Mrs Regina IP for her supplementary question. First of all, with regard to the implementation of railway projects, the Government has been considering new measures and even new ideas, so as to expedite the relevant projects and meet public interest. Perhaps let me provide some information for Members' reference. From 2016 to 2019, the MTRCL's rate of return on total asset had increased from 4.2% to 6.5%, and for the year*

2020, the rate of return on total asset in 2020 was -1.7%, which was making a loss. As to whether it is necessary to adopt the regulatory regime applicable to power companies, I think Members can judge by themselves.

Mrs Regina IP mentioned just now that MTRCL has monopolized the Hong Kong market. We understand that friends in this Council and different members of the community also share this view. We have made it clear in this Council that in the future, should there be other railway projects which are independent of the existing railway network, we will consider inviting open tenders to introduce competition. Mrs Regina IP also pointed out clearly that some of MTRCL's businesses outside Hong Kong have suffered losses. We have expressed our views through various channels. First, since MTRCL is a Hong Kong company, it should focus and accord priority to serving Hong Kong, and it should also focus on railway operation and public transport services. I have reminded them that the interests of the Hong Kong people should always come first. As for other aspects, we will follow up when they have other considerations. We will convey the relevant arrangements and our ideas, as well as the views of Members here, to MTRCL as appropriate. Yet, in any case, the SAR Government and MTRCL must put the interests of Hong Kong society first.

MR MARTIN LIAO (in Cantonese): *President, the average price per square foot of the new housing development at Wong Chuk Hang Station of MTR is as high as nearly \$30,000. I believe these luxurious flats built by MTRCL are not affordable to many members of the public, so the proposal to cap the rate of return on property developments of MTRCL is indeed worth exploring. However, on the other hand, I also understand that MTRCL, as a listed company, will certainly face great challenges in the process should this proposal be implemented. As a matter of fact, MTRCL is making huge profits from property development because the Government allows it to bridge the funding gap under the "ownership" approach and the "Rail-plus-Property development" model. Therefore, may I know in what specific ways the authorities will solve this problem when taking forward railway projects in the future and how the funding gap can be narrowed?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): I would like to thank Mr LIAO for his supplementary question. Indeed, we can see that MTRCL has made huge profits in property development and in the process of

property sales. In fact, we see that such huge profits precisely fill the funding gap under the "Rail-plus-Property development" model. We believe that Members are querying whether the profits and the funding gap are in proportion. Regarding the "Rail-plus-Property development" model we are talking about, the operating cycle of a railway project as a whole is generally 50 years. The upfront revenue comes from property development is actually intended for future operation, providing the necessary capital when fare revenue and non-fare box revenue are insufficient to support the 50-year operation cycle of the whole railway project.

Of course, we are absolutely open-minded. Having regard to Members' views, we will, in the process of implementing the "Rail-plus-Property development" model in the future, analyse and review the provisions of the project agreement and the relevant estimates. During this process, we hope that the relevant arrangements can be enhanced in the future implementation of the "Rail-plus-Property development" model.

MR LAU KWOK-FAN (in Cantonese): *I am glad that the Secretary still remembers that MTRCL is a major public transport operator in Hong Kong. Last month, MTRCL submitted a joint bid with other developers for the New Central Harbourfront Site 3. This is the first time since MTRCL's establishment that it has bid for a government site. Regarding MTRCL's development of topside properties, I can understand that it is an operation model adopted to subsidize railway construction. Yet, for MTRCL's bid for the site in Central, may I ask whether this means MTRCL will reposition itself from a railway development company to a property developer?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): I would like to thank Mr LAU for his supplementary question. MTRCL is a railway company rooted in Hong Kong, and Members are well aware of its starting point. In the late 1970s, there was a slogan "Hong Kong Railway, built for you", and I believe many people here know this phrase. Therefore, we have all along urged, advised and requested MTRCL to take Hong Kong as its root, to be a railway corporation rooted in Hong Kong and to serve the people of Hong Kong as its mission. In the process, a listed company has the element of commercial autonomy as it moves through different eras, economic developments and even overseas development opportunities. Despite our constant reminder, a listed company, at the same time, has to suitably expand in a free market. I think this

is understandable. Yet, there should always be a limit, so to speak. Therefore, in the future or after listening to Members' views, we will continue to urge and remind MTRCL to take root in Hong Kong as its priority and to serve Hong Kong as its mission and priority. I believe, regarding MTRCL's investment in any other services and business development in other places, as Members have just mentioned, the Government's representatives on the Board of Directors have not been involved in the process of making the commercial decisions concerned.

PRESIDENT (in Cantonese): Mr LAU Kwok-fan, which part of your supplementary question has not been answered?

MR LAU KWOK-FAN (in Cantonese): *He has completely evaded the whole question. He has not answered it. At present, MTRCL is not a listed private company but a public corporation which is 70% owned by the Government.*

May I ask the Secretary when the authorities have changed its positioning, allowing MTRCL to develop other property projects?

PRESIDENT (in Cantonese): Mr LAU Kwok-fan, you have already pointed out the part of your supplementary question which has not been answered, please be seated.

Secretary, do you have anything to add?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, in fact, the Government's attitude is extremely clear. First, the Government is in fact the major shareholder of MTRCL. As the major shareholder, we have the responsibility to give it a nudge and point out the expectations of society and the public. At the same time, I also hope that friends in this Council here will understand that as a listed company, MTRCL is accountable to every shareholder. Therefore, it can make an independent choice in terms of business decisions and preferences. Of course, MTRCL needs to properly balance the expectations of the public and the Council and its business decisions, seeking to meet everyone's expectations as far as possible.

MR LUK CHUNG-HUNG (in Cantonese): *President, one of the greatest challenges to railway development is the funding gap. The Government's mechanism of using property development rights to provide subsidies has worked well in the past. Yet, at issue is that this development right has brought MTRCL exorbitant profits, or even excessive profits, while the public and passengers do not think that they are sharing the benefit. This is the cause of discontent—Secretary, I hope you would understand that. As for the so-called "Profitability-Linked Arrangement", it is really a trivial and petty favour.*

If this model of subsidy is to be continued, the authorities should either cap the profits generating from property development, requiring excessive profits to be returned to the Government, or add the factor of property profits as an element of the fare adjustment mechanism, giving back excessive profits exceeding the forecast to passengers, so as to alleviate the fare burden of passengers. May I ask the Secretary whether he will consider this?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Mr LUK for his supplementary question and views. The "Rail-plus-Property development" model adopted for project implementation has been in practice for many years. In the process, as I have made it clear in the main reply earlier, in the course of computing this funding gap, the government team as well as the independent financial consultant will make a very serious and careful assessment of the financial expenditure, construction cost and future operating expenditure of the entire railway project. Before a consensus is made, we will negotiate with MTRCL and conduct an extremely detailed and in-depth analysis. The issue is handled in a professional manner with cross-validation throughout the process.

As Members can see, regarding profits generated from property development—I have mentioned it earlier and I hope Members will give me another opportunity to explain it. Profits generated from property development are upfront profits, but what we are talking about is the expenditure of a 50-year operating period in the future, including asset renewal. Since railway projects are asset intensive and require a renewal in about 20 or 30 years, it will involve considerable capital investment. I understand that Members here have doubts about MTRCL's profits generated from its business operations. Yet, at the same time, I hope Members will understand that such profits are precisely the essence

of the "Rail-plus-Property development" model. As to Members' concern about whether MTRCL is reaping excessive profits, I have also made it clear in my reply and responses to Members here that when we prepare financial assessments for any "Rail-plus-Property development" project in the future, we will take into account Members' views and adopt an open attitude by introducing some enhanced terms and conditions. We will stand firm to ensure that the interests of the public are protected.

PRESIDENT (in Cantonese): Fourth question.

Registration of business by online auction platform users

4. **MR CHAN HAN-PAN** (in Cantonese): *President, it has been reported that a girl, currently aged 12, who had made 10-odd transactions through an online auction platform ("OAP") in the past three years, received a letter recently from the Inland Revenue Department ("IRD") demanding her to pay, for the past three years, the relevant fees payable under the Business Registration Ordinance ("BRO"). In this connection, will the Government inform this Council:*

- (1) *whether IRD has compiled statistics on the current number of OAP users in the territory who carry on business through such platforms and, among them, the number of those who have not completed the registration of their businesses; of the number of such users from whom IRD collected various fees under BRO in the past three years;*
- (2) *given that quite a number of active OAP users are unclear about the circumstances under which business registration is required, and they are worried about breaching the law inadvertently, whether IRD will step up the relevant publicity and education efforts; and*
- (3) *whether it will require OAPs, before allowing minors to open accounts on their platforms, to obtain from their parents or guardians an undertaking of assuming, on behalf of the minors, the tax liabilities associated with the accounts concerned; if so, of the details and the timetable; if not, the reasons for that?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, every person who carries on a business in Hong Kong, regardless of the mode of business operation, is required to apply for business registration under the Business Registration Ordinance (Cap. 310) ("BRO"). "Business" required to be registered includes any form of trade, commerce, craftsmanship, profession, calling or other activity carried on for the purpose of gain.

BRO also stipulates certain situations under which exemption can be given. For example, operators carrying on not more than one small business may apply for exemption from payment of business registration fee and levy if the following conditions are satisfied:

- (i) profits are derived primarily from the sale of services, and the monthly average sales or receipts of the business do not exceed \$10,000; or
- (ii) profits are derived primarily from other business, and the monthly average sales or receipts of the business do not exceed \$30,000.

Inspection carried out to ascertain whether businesses, be they brick-and-mortar or conducted via the Internet, comply with the requirements of BRO is part of the daily operations of the Inland Revenue Department ("IRD"). In determining whether an activity constitutes a business operating in Hong Kong, IRD would consider all relevant facts relating to the activity, including procurement, sale, delivery, settlement of trade, the scale of operation and the locations at which the activity is carried out. If the activity constitutes a business operating in Hong Kong but has not been registered, IRD would advise and assist the business operator to obtain the registration required promptly.

My response to Mr CHAN Han-pan's question is as follows:

- (1) IRD does not have statistics regarding business operations conducted through online trading or auction platforms by their users. However, IRD's daily operations include the inspection of transactions carried out on the Internet with a view to ascertaining the compliance of the BRO requirements. In each of the three financial years from 2018-2019 to 2020-2021, the number of cases involving Internet transactions that were reviewed by IRD concerning business registration were 1 817, 1 084 and 2 657

respectively, and the number of cases whereby the businesses concerned were asked to obtain business registration and pay the relevant fees upon IRD's review were 247, 180 and 231 respectively.

- (2) To raise public awareness of BRO, the IRD website offers relevant information for reference by members of the public, including the requirements for business registration and information on application for exemption from payment of business registration fee and levy. IRD will provide on its website information relating to online transactions so as to help online platform users develop a better understanding of the issues they need to be aware of.
- (3) The terms and conditions of an online trading or auction platform form an agreement between the provider and users of the platform. It is noted that some commonly used online trading or auction platforms have reminded their users to abide by the tax regulations of the relevant jurisdictions in their terms of use. Furthermore, IRD will contact major online trading or auction platforms to appeal for their assistance in alerting their users ... *(A mobile phone was ringing in the Chamber)* to the potential business registration and profits tax obligations when making transactions in Hong Kong.

MR CHAN HAN-PAN (in Cantonese): *President, unlike profits tax and salaries tax, business registration has to be obtained prior to the conduct of business. But insofar as online transactions are concerned, the general public may have opened an account only for selling odds and ends, and it is not necessary to specifically engage an accountant or auditor, but if these people are not engaged, sometimes it is very easy to breach the law inadvertently.*

Besides, regarding transactions conducted via these platforms, even though a deal is agreed on through the platform, the buyer may not show up for inspection of the goods, or even when both parties meet up after an agreement is made verbally, the conditions of the transaction turn out to be different and therefore, sometimes there may be a lot of difficulties regarding the sales receipts or records. How can the general public protect themselves? In the light of this cyber era, will the Government offer exemption or introduce legislative amendments for these online transactions involving a small amount of money, i.e. not businesses of a large scale, so that the public will not so easily breach the law inadvertently?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, the question put up by Mr CHAN just now is most practical, and pertinent too, because as technology advances, more and more transactions are now conducted online.

This question asked by Mr CHAN has expressed concern about a particular case. As far as this case is concerned, while we are not in a position to say too much about it because after all, a certain case is involved here, but in principle, the tax obligation is clear and simple and that is, tax is payable for a business operating in Hong Kong. Just now Mr CHAN referred to some specific situations, such as the business itself sometimes involving inspection of sales receipts or how a person can actually prove that he is operating a business or otherwise. I think these situations vary from case to case, depending on the circumstances and varying conditions. It is, therefore, difficult to make a general conclusion.

But anyway, under the relevant legislation currently in force, we have made arrangements for exemption from business registration fee and levy. As Mr CHAN said earlier, this is based on the size of profits and also the conditions that I mentioned in the main reply earlier on. That is, business registration fee and levy can be exempted for a business if its profits are derived primarily from the sale of services and the monthly average sales or receipts of the business do not exceed \$10,000, or its profits are derived primarily from other business and the monthly average sales or receipts of the business do not exceed \$30,000.

Just now Mr CHAN brought up another even bigger issue which is most correct and that is, regarding the current arrangement for which rules and a mechanism have been put in place and clear provisions made to set out the requirements, how can we enable members of the public, users of online services and also online shoppers to clearly understand it? We understand that more strenuous efforts are needed in this respect because, just as Mr CHAN rightly pointed out just now, more and more people, including young people, are using computer more frequently than I did when I was around the same age. So how should we face this situation? In fact, we will adopt a multi-pronged approach, and we hope that through this question, we can make the statutory requirements known to a wider public.

Specifically, what have we done? First, we will enhance the dissemination of information at IRD's website, so that when selling goods online, the public will know the relevant legislation or requirements that they need to deal with. This is the first point.

Second, what Mr CHAN said just now was right. Is there a need to remind users, perhaps not at the IRD level, when they are using websites? I believe Members also have the experience that sometimes when they click on a website, there will be words reminding the user to refer to the relevant requirements as well as laws or regulations in his own country in order to determine the lawfulness of his online activity at the time. In fact, to give effect to similar arrangements, IRD is proactively discussing with online platform providers on how work can be carried out at their level, so that the dissemination of information can be enhanced not only through the public approaching IRD but also through the use of websites by the public. This way, the public will understand clearly the meaning of the requirement of "business operating in Hong Kong" under the existing legislation. This requirement is clear, just that as we face new developments in online networks, we have to look into how we can make it more widely known to more people.

DR JUNIUS HO (in Cantonese): *President, this question has brought up a point about legal liabilities because Mr CHAN Han-pan's main question is about children engaging in online auctions. In response, the Secretary has talked about how he will pay attention to business registration, under what circumstances exemption will be given, and so on. But they are, after all, children and under the contract law, those below 18 of age do not have the legal responsibility to enter into any contract.*

If these online platforms are found to ... Since any person can open an account with such platforms as Facebook without having to reach the age of over 18, when they conduct online transactions, how can the Government coordinate the legal issues? Even though registration is required, as they are under 18 years old, will the Government consider how their guardians can intervene? What is the Secretary's view on this?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, the situation mentioned by the Member just now is most practical and that is, as technology advances, many young people are now heavy

users of the Internet. In fact, if we look at the existing legislation, there is a very good reference point and that is, there is no age limit for business registration. In other words, it is not the case that people under 18 years ago cannot obtain business registration. All persons carrying on business in Hong Kong are required to apply for business registration under BRO. If, as the Member said just now, the applicant is below 18 of age, then his application for business registration will require confirmation from his parents or guardians. So basically, for the purpose of doing business, there is actually a "hole" or a void; it is not a loophole, but just a void. People under the age of 18 can conduct business activities after obtaining confirmation from their parents or guardians. So, we have put in place these arrangements.

Put it more precisely, regarding the point made by the Member just now that in view of the prevalence of online transactions, what we can do to enable more people to clearly understand this message and be aware of their obligations as well as the rules or requirements that they need to comply with potentially, I think this question is asked most timely and correctly as it provides a very good occasion for us to promote and explain the relevant stipulations. But this is absolutely not enough, and this is also why I introduced IRD's website earlier on. We will proactively liaise with the network providers or trading platforms in order to disseminate the information to a wider public at their level.

Here, I wish to make an appeal to Members because after all, they have so many opportunities to have contacts with the public and in many cases, they have more information about the actual situation than I do. In this connection, if our message can be further promoted through Members, we will very much welcome it, and my office will be more than happy to assist them in this area of work in order to serve the public.

MS ELIZABETH QUAT (in Cantonese): *President, the Secretary said earlier that the legislation is clear and so are the requirements, but in reality, I guess members of the public only think otherwise. Now there is precisely a case in which a 12-year-old girl who made 10-odd transactions through an online auction website was subsequently demanded by the authorities to pay business registration fees. This was a bolt from the blue to the girl, and came as a great shock to her and her parents.*

President, as we can see from the main reply, the Secretary mentioned such conditions as the profits being derived primarily from the sale of services, the amount of monthly average sales, and so on. But this is not the case in the cyber world nowadays. For example, there are really many children and youngsters playing online games or participating in online competitions or races. They may trade with each other weapons—of course I mean online weapons—or certain gifts. They do not intend to engage in the sale of services. They may be doing this very frequently, that is, their frequency of trading is very high and then they may exceed the total amount of \$10,000 or \$30,000. The problem is that they do not intend to engage in the sale of services, nor do they wish to do business, and they may not do business in the future. In that case, what should they do? Do they have to file tax returns? Do they have to obtain business registration or what?

Moreover, very often these are children, and according to the Secretary, children can obtain business registration. But they do not intend to do business, so how should the issue of taxation be handled? If the Secretary considers that it is now time to clearly review afresh the relevant guidelines in order to meet the needs of the times, I hope that the Secretary will not just look at the existing legislation but rather, he should target the current situation of online transactions. Or, some people only wish to put to auction some second-hand furniture in support of environmental protection. They do not intend to engage in the sale of services or do business but probably the amount of sales recorded in one auction has exceeded the Bureau's requirement. So what should be done to deal with these cases?

There is also a wide array of problems online which, I think, the Secretary should address squarely. Then the Secretary should provide more clear guidelines or amend some regulations to enable members of the public, young people, children and parents to understand clearly what consequences there will be, what price they will have to pay, and whether the filing of tax returns is required when they engage in online trading activities. Besides, when these guidelines or regulations are in place, it will be necessary to have a publicity channel, so that members of the general public can know about them, rather than solely relying on Members to convey the information to the complainants. This, I think, is the duty of the Government, not just the duty of Members.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, the direction or input provided by Ms QUAT just now are most correct. She talked about how we can, under the existing stipulations, progress with the times and make adjustments continuously in the light of the ever changing socio-economic conditions, so that our modus operandi or stipulations can respond to the actual situation in society in a timely manner. This is exactly the case of the existing BRO. As I said earlier, all businesses operating in Hong Kong, be they online, offline, physical or virtual, are actually included. Moreover, we have been disseminating information continuously, and Members are well aware that the type of business conducted by each individual or company can really be wide ranging and can hardly be generalized. This is also why the definition of business is important, and it is really necessary to consider these cases individually.

Ms QUAT also pointed out a most important issue and that is, how we can work with Members ... I absolutely do not mean to shirk my responsibility. What I mean is to work together with Members. After all, we believe our starting points are different. For us, we look at what we can explain at the policy level or from a legal viewpoint, whereas to the public, they may wish that the explanation can be more down-to-earth, more relevant, and more understandable to them. To this end, we are working on how we can achieve it through our website, and also through our communication and exchanges with online auction platforms, so that more information can be provided at their level and through their platforms. These are what we have been actively considering, because businesses are, after all, multifaceted, and it is difficult to make a general or simple conclusion.

Just now Ms QUAT also expressed concern over another issue, and that is, will people fall foul of the law easily? This is exactly what we hope to avoid, and through our efforts to make explanation more clearly and comprehensively in advance or in a pre-emptive manner, we hope that the public are aware of the stipulations. This is the first point.

Second, with regard to the inspection by IRD, as I pointed out in part (1) of the main reply, in the three financial years from 2018-2019 to 2020-2021, the numbers of cases involving online transactions that were reviewed concerning business registration were some 1 000 to some 2 000, and the numbers of cases whereby the businesses concerned were asked to obtain business registration were

247, 180 and 231 respectively. In fact, our colleagues have carried out the inspection work seriously and responsibly. They will also examine the relevant facts because after all, the facts are multifarious and they vary from case to case. It is very difficult for me to make generalized comments here. Having said that, Members can rest assured that we will carry out work in respect of promotion and explanation to enable members of the public, including customers or users of these platforms, to clearly understand these requirements. We are carrying out such work and will continue to carry it out in the future. We will also carry it out at different levels by, among others, working in concert with the auction platforms.

MR PAUL TSE (in Cantonese): *President, in part (1) of the Secretary's reply, regarding the numbers of cases reviewed by the authorities on their own initiative to ascertain if business registration was required, the records for the three years were 1 817, 1 084 and 2 657 respectively, and if we do some calculation, they accounted for only 14%, 17% and 8%. Secretary, I would like to know that apart from the possible exemptions, that is, the exemptions for cases of which the amount of sales does not exceed \$10,000 or \$30,000 as mentioned in the former part of the reply, why are these numbers so low? What are the main reasons for not requiring them to obtain business registration even though they were operating online business or the so-called online business?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Just now Mr TSE showed insights in noticing the concrete figures provided by us. I also wish to take this opportunity to explain more comprehensively the logic behind these figures. Just now Mr TSE asked why it was unnecessary to obtain business registration in some of these cases. It may be so because they were found to have obtained it after their cases were reviewed and therefore, they were not required to get it. It is because after all, the information that we obtained came from a diversity of sources. Sometimes we obtained it from complaints lodged by the public or information they provided to IRD. Therefore, under certain circumstances, our colleagues who work with a responsible, serious attitude would conduct inspections as and when necessary, and after inspection, they might be found to have registered already and so, they were not required to register. This can be a reason.

On the other hand, actually in these cases that we have handled, a great part of them requiring business registration ... In fact, the public are most compliant with the regulations and laws as basically many of them will proceed to obtain business registration after discussing their cases with us. So, from another perspective, this inspection system is actually working and at the same time serving its purpose effectively.

MR CHAN HAN-PAN (in Cantonese): *President, the situation now is that the sale of unwanted items online has led to investigation by IRD. In fact, online sales in Hong Kong have never been too flourishing, and nothing much has been achieved despite efforts made to boost it. Part of the reason may be that our taxation or the relevant requirements are far from detailed or clear. We have seen that in the Mainland, the situation of their sales business is that even for some very complicated taxes, efforts are still made intentionally to amend the laws in order to reduce the taxes and make them as simple as possible. For instance, the personal postal articles tax is inclusive of all the taxes. Nowadays, many young people have started a business online. I am very worried that if we do not amend our legislation in the light of the technology development today but just keep saying that we have in place business laws and requirements for business registration, then we will not be able to keep abreast of the times. Just now the Secretary was very good, and I thank him for continuously responding to us that he will take follow-up steps. My question is: With regard to this type of sales, does the Government have plans to amend the existing relevant regulations in order to cope with the needs of this era?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Regarding the supplementary question asked by Mr CHAN just now, actually I have touched on it when I gave replies to some Members and here, perhaps let me say a few words more. It is not that our legislation is outdated and more importantly, our legislation is applicable to online business because it falls under the definition of "business", and a business conducted online or offline should still be included logically. To be more specific, for example, how can we step up public education when legal liabilities or tax obligation is involved? I believe this will have Members' support, and we will continue to do it. Specifically, as regards the approach or ideas for the next step, we very much welcome Members to hold discussions continuously to see how we can do a better job in the areas of education and promotion.

PRESIDENT (in Cantonese): Fifth question.

Guard against the spread of extremism

5. **MS ELIZABETH QUAT** (in Cantonese): *President, it has been reported that since the implementation of the National Security Law for Hong Kong last year, riot-related crimes have plunged, but radicals' acts of disseminating false information and seditious remarks on the Internet with an intent to revive violence have not been curbed. On the 1st of this month, someone hurled flammable objects at the Government House, and a man stabbed and wounded a police officer with a sharp knife. Some people subsequently glorified such criminal acts on the Internet, and some people even mourned for the attacker who had killed himself at the scene of the attack. In this connection, will the Government inform this Council:*

- (1) *given that recently the Police have detected cases of possession of explosives and firearms, and that the aforesaid "lone-wolf" terrorist attack has occurred, whether the Government will raise the threat level of terrorist attacks faced by Hong Kong and strengthen counter-terrorism efforts; if so, of the details; if not, the reasons for that;*
- (2) *as it has been reported that in recent years, some people have frequently disseminated false information, incited hatred, advocated violence and spread extremism on the Internet, of the progress of the study conducted by the Government on enacting legislation to combat the dissemination of such undesirable information; whether it will, by following the laws and regulations in overseas regions, allow the Government to institute legal proceedings for defamation and criminalize defamation; if so, of the details; if not, the reasons for that; and*
- (3) *what specific measures, apart from stepping up efforts to combat relevant crimes, the Government has put in place to mend the social rift as well as strengthen communication and mutual trust among various sectors of society, so as to guard against the spread of extremism?*

SECRETARY FOR SECURITY (in Cantonese): President, the implementation of the Hong Kong National Security Law ("HKNSL") since last year has yielded immediate and noticeable results. Social stability has been restored and public safety ensured. Yet, a handful of extremists have not given up and continue to spread seditious remarks on the Internet to incite hatred and advocate the use of violence for expressing their political stance or ideological assertions. Some of them have even planned actual acts of violence. For people who have attempted to rationalize or down play violent attacks, their damage and harm inflicted upon society are equally serious.

The entire community in Hong Kong should strongly condemn individuals who disregard law and order, advocate terrorism or incite the commission of terrorist activities. Such acts will certainly be vigorously tackled by the Hong Kong Special Administrative Region ("HKSAR") Government in accordance with the law.

My reply to the three parts of the question raised by Ms Elizabeth QUAT is as follows:

- (1) At present, the threat of terrorist attacks faced by Hong Kong remains "moderate". The "moderate" level means there is a possibility of an attack, (*A mobile phone was ringing in the Chamber*) but there is no specific intelligence suggesting that Hong Kong is likely to be a target. The Police's assessment shows that the chance of "lone-wolf" attacks under individual circumstances cannot be ruled out but there is currently no concrete intelligence indicating that such an attack will happen. Members of the public could go on with their daily lives and travels as they are not affected. Therefore, it is appropriate to maintain the threat of terrorist attacks at the "moderate" level.

The Police makes ongoing assessments of the situation and intelligence. Once specific and reliable intelligence is obtained, such as knowing about the plan of a terrorist organization of launching an attack which poses tangible threat to the public, we will raise the threat level to "high" based on assessment. Accordingly, immediate alert will be made to the public and a series of escalated preventive measures may be required to stop the attack from happening, such as requiring security checks on personal belongings

of all bus and MTR passengers or even closing some MTR stations. As for the airport, it may also be necessary to step up the checking of passenger luggage and incoming vehicles at that time. As such, members of the public and travellers may be required to arrive at the airport three to five hours in advance. All these measures will inevitably bring inconvenience to the public. Given the wide impact, the decision to raise the threat level of terrorist attacks is a very prudent one, with safeguarding public safety being the prime consideration. Such decision is made based on specific intelligence, as any hasty move may cause public inconvenience or even panic.

Regarding counter-terrorism ("CT") work, the Security Bureau and the Inter-departmental Counter-terrorism Unit have been making unceasing efforts and staying highly vigilant at all times. They have been enhancing Hong Kong's overall CT and response capability in a comprehensive manner through a series of measures on areas including intelligence collection, enhanced patrols, training and CT exercises for continuous strengthening in Hong Kong's CT preparedness. In parallel, protection of critical infrastructures has been enhanced, and CT education and publicity have been implemented for building strength and consensus in society.

- (2) In recent years, there have been numerous violent attacks in Hong Kong. Very often, attackers of these cases have been affected by false information on the Internet and online messages for inciting violence and hatred, resulting in commission of serious illegal acts. The "lone-wolf" attack happened on 1 July is a concrete example. In view of the grave harm inflicted upon society by fake news and extreme ideologies, offences of abusing online platforms for blatantly inciting hatred and violence in the community should be tackled seriously.

As regards the proposed enactment of legislation against fake news, as the relevant work involves many complicated and controversial issues, the Secretary for Home Affairs will seriously examine the experience and practices of other countries and places to provide reference for the next step of work.

Even though there is not yet any legislation against fake news, various provisions are in place under the existing legal framework to deal with dissemination of inappropriate information. For example, under sections 9 and 10 of the Crimes Ordinance, it is a criminal offence to do any act with a seditious intention or utter any seditious words, and handle or possess any seditious publication.

Besides, specific provisions are also in place for various crimes under HKNSL to deal with spreading of seditious or extreme ideologies. Among them, Articles 21 and 23 of HKNSL prohibit anyone from inciting, assisting in, or abetting others to commit secession and subversion of the state power, Article 27 prohibits advocating terrorism and inciting commission of terrorist activities and Article 29 prohibits conspiracy with a foreign country or an institution, organization or individual outside the Mainland, Hong Kong, and Macao of the People's Republic of China to provoke hatred among Hong Kong residents towards the Central People's Government or the HKSAR Government, which is likely to cause serious consequences.

- (3) On the Internet, some people blatantly disseminate false information to mislead the public and fabricate facts to incite hatred towards the Government. To strengthen communication and mutual trust among various sectors of the society, one of the top priorities of work is to make prompt clarification about false information and deploy all feasible administrative and legal steps to combat dissemination of false information and fake news, such that prejudices and conflicts created by false information and fake news can be rectified and eradicated, and the community can get back on track. We also hope that the entire community would join hands to say "no" to violence. At the same time, the Government will, through various channels, encourage members of the public to comprehensively appreciate our nation's development, correctly understand "one country, two systems" and develop a sense of identity, belonging and responsibility towards our country, our nation and our society.

HKSAR Government will strive to do a good job in administration, strengthen communication with various sectors and young people in particular, and provide the younger generation with an excellent learning environment and diversified development opportunities. Through different measures, the HKSAR Government hopes to assist young people in leveraging their own strengths and cultivate in them a positive attitude towards life, a commitment to society, a sense of national identity, an affection for Hong Kong and an international perspective, such that they could contribute to the development of Hong Kong and the country.

MS ELIZABETH QUAT (in Cantonese): *President, in Europe, the United Kingdom and France, there are anti-terrorism laws and precedents which prohibit the promotion, defence and glorification of any acts of terrorism. In France, there is even the offence of condoning terrorism. Anyone who publicly defends a specific or non-specific terrorist act commits an offence and is liable to imprisonment of five years. In Hong Kong, there are also such people. For instance, Johannes CHAN, Margaret NG and those students of the Hong Kong University Students' Union Council have publicly defended terrorist acts. What is meant by "defend"? It means defending terrorist acts, including defending the offenders, as well as making positive comments on, rationalizing and glorifying the acts in question. Their words and deeds are tantamount to glorifying, supporting and encouraging terrorism. Hence, I would like to know whether they may be investigated and prosecuted under the existing anti-terrorism legislation in Hong Kong. Or will the legislation be amended to introduce an offence similar to condoning terrorism to specifically target and deal with such acts?*

SECRETARY FOR SECURITY (in Cantonese): President, first of all, I believe it is inappropriate to discuss individual cases here. Regarding any allegation that someone may have violated any law (including HKNSL), we will seriously examine and see whether any person has broken the law. If someone has broken the law, we will definitely follow it up strictly. Besides, although there is currently no specific legislation in Hong Kong similar to that in overseas countries as mentioned by Ms QUAT, there are in fact many provisions under the existing legal framework to deal with such cases, including sections 9 and 10 of the Crimes Ordinance, which provide that it is a criminal offence to do any act

with a seditious intention or utter any seditious words, and handle or possess any seditious publication. Moreover, specific provisions are in place for various crimes under HKNSL to deal with similar unlawful acts. Among them are Articles 21 and 23, which prohibit any person from inciting, assisting in or abetting others to commit secession and subversion of the State power, and Article 27, which prohibits advocating terrorism and inciting commission of terrorist activities. *(A mobile phone was ringing in the Chamber)* There is also Article 29, which prohibits conspiracy with a foreign country or an institution, organization or individual outside the mainland, Hong Kong and Macao of the People's Republic of China to provoke hatred among Hong Kong residents towards the Central People's Government or the HKSAR Government, which is likely to cause serious consequences. These can be handled under the relevant laws.

MR CHRISTOPHER CHEUNG (in Cantonese): *President, be it the "lone-wolf" terrorist attack in the street in Causeway Bay on 1 July, or the incident of a "Hong Kong independence" group hiding in a guesthouse in Tsim Sha Tsui with an attempt to make bombs ... (A mobile phone was ringing in the Chamber) for launching terrorist attacks, it shows that terrorists are hell-bent. Such a situation is rather worrying. What is even more chilling is that we see some people, including highly educated university students, accepting what is erroneous as correct and confounding right with wrong. Not only did they refrain from condemning the violent act. On the contrary, they glorified violence by mourning the assailant. Such behaviour is outrageous. Hence, I would like to ask the authorities whether someone who has glorified violence can get away with no consequences at all by merely bowing in apology. Do the authorities have any specific measures to deal with this kind of demented behaviour of glorifying violence, so as to prevent the recurrence of such incidents which will in effect encourage people to take the unlawful path of violence?*

PRESIDENT (in Cantonese): I would like to remind Members that mobile phones have rung in the Chamber quite a number of times during the meeting this morning. Members must switch their mobile phones to silent mode if they bring them into the Chamber.

Secretary, please reply.

SECRETARY FOR SECURITY (in Cantonese): President, in the face of these terrorist activities, be it a "lone wolf" or a terrorist group on which we have cracked down a few days ago, we will spare no effort to combat terrorist activities. Certainly, apart from those engaged in terrorist activities, others who attempt to glorify, heroize or downplay such behaviour are also doing something very dangerous because such an act will spur more people to engage in terrorist activities. When the glorification, downplaying or heroization reaches such an extent that it infringes section 9 or 10 of the Crimes Ordinance or Article 21, 23, 27 or 29 of HKNSL as mentioned by me just now, we will take action. Of course, we will make full efforts to investigate any possible cases, and instigate an arrest or even prosecution if there is evidence.

MR STEVEN HO (in Cantonese): *President, when society is like a broken nest, all trades and industries remain stagnant, and people's safety is under very great threat. The Secretary said that if someone breaks the law, he will be brought to justice. Actually, I wonder why we have to make such a request, just as we are now asking people to have humanity and conscience, which has strangely become so humble and inordinate. Therefore, I would like to tell the Secretary that I hope not only will people be arrested if they break the law. We should also be aware of the need to take precautions. The more open a place is, the greater the chance it will be subjected to terrorist attacks or loopholes because people are free. It is possible that someone may strap on a bomb and rush out, since no check is conducted, but we see that baggage has to be checked at the underground stations in some regions in the Mainland or the United States.*

For this reason, I would like to ask the SAR Government the following question. After what happened in 2014 and 2019 as well as this case of stabbing a police officer on 1 July, the family members of many people having a relatively strong sense of justice, such as the Hong Kong Police Force and Members of this Council, may also be subjected to "lone-wolf" attack. Those of us sitting here will stay more vigilant ourselves and pay more attention to the surroundings when walking in the street. Yet how can their family members protect themselves? Why do we have police quarters but not a police school in Hong Kong where people under protection may study? Why do so many people have to go to patriotic schools under our present education system? We wish to increase the protection and resources in this regard. I would like to take a look at the resources and funding allocated by the SAR Government in respect of prevention. Or can it tell all the Hongkongers who have a relatively strong sense of justice here what strategies are in place?

SECRETARY FOR SECURITY (in Cantonese): President, I very much agree with what Mr HO said just now. We should not merely make arrests, which is only part of the work. In the face of terrorist activities, our work should comprise three parts, namely, prevention, suppression and punishment. We will carry out the work through intelligence and enforcement. Of course, publicity and education are very important too. As a matter of fact, Articles 9 and 10 of HKNSL have clearly stated the Government's duties in this regard.

Moreover, just now Mr HO mentioned how to protect the family members concerned, or whether there is the need for a police school. Certainly, we will decide on the protection measures to be adopted on the basis of risk assessment. For instance, the injunction order for police quarters is still in force, and any act of harassment will be in breach of the injunction order. Besides, the Member mentioned whether there is the need to set up a police school or a school for the children of police officers in Hong Kong. This is a complicated issue. It includes such questions as whether all the children of police officers are willing to study in the same school, where it should be located and how it should be positioned, which are relatively complicated. At present, we have actually discussed with the Education Bureau how we can protect the children of police officers in many other aspects, such as how to deal with bullying in schools and whether they need to change schools. Other work has been conducted continuously to provide assistance.

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

MR STEVEN HO (in Cantonese): *President, I referred to not only the Hong Kong Police. For instance, in the Legislative Council, there are people who have a relatively strong sense of justice. Just now he did not specifically mention ...*

PRESIDENT (in Cantonese): Mr Steven HO, you only need to point out the part of your supplementary question which has not been answered.

MR STEVEN HO (in Cantonese): *I have mentioned not only the Hong Kong Police but also other people as well.*

PRESIDENT (in Cantonese): Mr Steven HO, you have already pointed out the part of your supplementary question which has not been answered. Please sit down.

Secretary, do you have anything to add?

SECRETARY FOR SECURITY (in Cantonese): As I said just now, we will conduct risk assessment for anyone who may be in danger. If necessary, we may provide assistance under different protection programmes, which will certainly be based on risk assessment.

MR TONY TSE (in Cantonese): *President, prevention is of course important, and I am as concerned about this as Mr Steven HO. As I have noted, many countries which always carry human rights and freedom on their lips have actually compiled a name list of extremists and persons with a higher risk of becoming terrorists, so as to strengthen prevention and monitoring in this respect. In some regions, the Government will even meet with high-risk individuals and conduct psychological or other types of counselling. This is preventive work. I wonder if this kind of work will be useful in Hong Kong. Will the Secretary do such work, or is it already being done now?*

SECRETARY FOR SECURITY (in Cantonese): President, first of all, we have all along been conducting a lot of intelligence work on people who are likely to be involved in terrorist activities. In Hong Kong, for example, the Correctional Services Department has put in place programmes to keep monitoring those people who may be influenced by extremism. Such is the work we will do.

Will the same be done in the community? This is a complicated issue. On what basis should the Police carry out this kind of programmes for people who may have such a tendency? At this stage, it seems this may not be the right time to materialize such an idea.

MR HOLDEN CHOW (in Cantonese): *President, since the "lone-wolf" terrorist attack on the police officer, some people (including the Hong Kong University Students' Union) have moved a motion to mourn the terrorist. Some have even come forward in an attempt to rationalize and downplay terrorism, which is all the more chilling.*

President, what I would like to ask is, apart from the necessary law enforcement, under extreme circumstances, when someone tries to publish information inciting terrorism, is there any way to intercept the publication of such information in a more timely manner to prevent it from spreading around? Law enforcement is of course necessary, and so is punishment, but can a related mechanism also be put in place to intercept the publication of such information in a timely manner?

SECRETARY FOR SECURITY (in Cantonese): President, as a matter of fact, at present, apart from the Police Force, the other law enforcement departments will also conduct cyber patrol to see if there are such cases of incitement. Certainly, if there is such a case, we will start with investigation. In addition, we will request the relevant Internet service provider to delete such information in the first instance. Apart from putting forward the request, in fact, under the law (i.e. Article 43 of HKNSL), the Secretary for Security is empowered to issue an order to require the Internet service provider to delete such information as and when necessary.

DR JUNIUS HO (in Cantonese): *President, I will be brief. It is not a sensitive question about an individual case. If the students' union has obviously violated its objective and is involved in a national security issue, will the Secretary further consider revoking its status as a society under section 8 of the Societies Ordinance?*

SECRETARY FOR SECURITY (in Cantonese): President, we will look into the situation case by case. If any society has really violated section 8 of the Societies Ordinance, we can deal with it in accordance with the law. Moreover, according to Article 31 of HKNSL, if an organization has been convicted for violating HKNSL, it may be proscribed. But certainly, we have to examine in each case whether the act committed by the organization actually warrants such action by us.

PRESIDENT (in Cantonese): Last question seeking an oral reply.

The Government's support for emerging industries

6. **MR PAUL TSE** (in Cantonese): *President, the Government launched the Food Truck Pilot Scheme ("Food Truck Scheme") some four years ago, which attracted a group of small business operators to invest money and time in operating food trucks. However, a number of food truck operators have relayed that due to the excessive restrictions imposed by the Government on the operation of food trucks and the lack of support for them, they have been struggling long and hard to keep their businesses afloat, and they may eventually close down their businesses to reduce loss. Some members of the public have relayed that the Government does not understand business operation, and has been wasting time and effort on casually promoting those emerging industries whose development is unsuitable for Hong Kong. In this connection, will the Government inform this Council:*

- (1) *whether it has reviewed the reasons for the failure of the Food Truck Scheme and learned a lesson; if it has reviewed, of the outcome; if not, whether it will conduct such a review expeditiously and assess whether, in the event that the Scheme comes to an undesirable ending, public confidence in the Government's formulation and implementation of policies for boosting the economy will be undermined;*
- (2) *whether it will review the modes by which the Government supports emerging industries, as well as provide more concessions (such as tax relief and interest-free loans) for the relevant industries, cut bureaucratic procedures and remove red tape, so as to create a business-friendly environment; and*
- (3) *as some members of the public have criticized that the research and development project on a nasal vaccine against the Coronavirus Disease 2019 led by the University of Hong Kong has received a funding of mere \$20 million from the Government, which is much less than the some \$50 million deployed for the construction of the music fountains at the Kwun Tong Promenade, and this situation reflects the Government's short-sightedness and inability to proactively grasp advantageous opportunities in respect of supporting scientific research industries, whether the Government will, by making reference to the practice of the Singapore Government, set up a sovereign wealth fund to proactively invest in*

scientific research projects in Hong Kong and abroad with potentials and plough the huge sum of profits yielded from successful projects back to the fund, so as to allow the fund to recycle capital for investment?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, part (1) of the question raised by Mr Paul TSE is under the purview of our Bureau. For parts (2) and (3), I have consulted the Financial Services and the Treasury Bureau and the Innovation and Technology Bureau and provide a reply as follows:

- (1) The first part is about food trucks. In the Budget presented in 2015, the Government put forward its plan to consider introducing food trucks. It is hoped that the Food Truck Pilot Scheme ("the Scheme") would become a tourism promotion project implemented in the form of a pilot scheme.

The Commerce and Economic Development Bureau ("CEDB") and the Tourism Commission of CEDB within their policy framework, have all along provided support and assistance to food trucks as a tourism promotion project. However, food truck is also a commercially operated project. Each of the food truck operators participating in the Scheme should also have the requisite operating conditions to enable them to generate revenue and allow the Scheme to continue.

As a matter of fact, CEDB has, since the commencement of the Scheme, provided a lot of support and refined the Scheme in response to the operational difficulties and challenges faced by food trucks and, as mentioned by Mr TSE, relaxed limitations as far as possible in order to expand their business opportunities and flexibility. Such work includes:

- (a) Exploring new operating locations continuously for the operation of food trucks and introducing eight new operating locations in addition to the original eight designated locations;
- (b) Relaxing restrictions by offering a more flexible operation schedule so as to facilitate the operators to secure location and trading period with more business opportunities including

allowing food trucks to operate in different venues at day time and night time; operators to bid for available vacant pitch either by drawing lot or on a first-come-first-served basis; and to swap trading period of the same venue with another operator;

- (c) Adopting suggestion of the operators to identify new operating venues;
- (d) Expanding the mode of operation by allowing food trucks to participate in self-identified events which are open to the public with appropriate licences obtained. Since the commencement of the Scheme, operators have applied for operation in 103 self-identified events and all were approved to proceed; and
- (e) Alleviating their burden by reducing the operating cost substantially and allowing operators to opt whether to operate at individual venue and pay rental fees for operation days only.

Besides the five measures mentioned above, in view of the impact of the riots and the epidemic on food truck operation, a series of helping measures implemented by the Government have also benefited operators of food trucks, including waiving all licence fees and first vehicle examination fees for food trucks; providing a one-off subsidy of \$80,000 to all operators; offering 75% rental concession at government venues; and facilitating rental reduction for venues at the two theme parks respectively.

Apart from the policy support of the Government, we observe in our previous evaluation that the business performance of food trucks actually also hinges upon the business strategy of operators, for example, the food choices, food types, services and pricing and whether they can meet the preference and spending power of the patrons. Therefore, the business performance of the 15 food trucks varied since their commencement of business. Up till now, three of them had suspended business. Twelve food trucks remain and among which five maintain relatively regular operation.

The Government has all along been pragmatic and supportive to food trucks and has been offering its support as far as possible. Though the Scheme encountered difficulties when it was first launched, and was affected by the riots in 2019 and the epidemic afterwards, the Government has been providing continuous support and assistance. Hence, the Government has extended the Scheme twice, until 2 February 2022. We are reviewing the data and the effectiveness of the Scheme to determine its way forward from the perspective of its sustainability, scalability and contribution to tourism, etc.

- (2) Hong Kong has been practising a low and simple tax regime. The Government's policy is to strategically utilize our tax measures to enhance Hong Kong's competitiveness and to promote the development of our industries and economic diversification. The Government will consider the development needs of the local economy and industries, fiscal implications, and international tax standards, etc. in formulating tax measures.

In terms of support for small and medium enterprises ("SMEs"), the Government has been committed to helping enterprises resolve financing problems, and providing funding for enterprises to explore business opportunities. In April 2020, we launched the Special 100% Guarantee Product under the SME Financing Guarantee Scheme to provide low-interest loans for enterprises affected by the epidemic, with over \$62 billion of loans approved so far.

We have also strengthened financial support for SMEs, including increasing the funding ceiling and expanding the funding scope of the SME Export Marketing Fund and the Dedicated Fund on Branding, Upgrading and Domestic Sales by four times and 12 times respectively to allow SMEs to utilize Government funding to engage in market promotion and business expansion in the Mainland and overseas. Over 14 000 enterprises have received more than \$2.3 billion funding in the past four years.

- (3) In the past four years, the Government has been making efforts to promote Hong Kong's innovation and technology ("I&T") development along various areas. The Government has so far committed more than \$110 billion to further enhance Hong Kong's

I&T ecosystem, of which encouraging investment and supporting technology start-ups have formed an integral part, with more than \$10 billion being devoted through the Innovation and Technology Fund ("ITF") and other schemes. It is also announced in this year's Budget that the Government would inject \$9.5 billion in total to ITF two years in a row.

With the smooth rolling out of various I&T policies, all these efforts have brought significant enhancements to the local I&T ecosystem. For example, the number of local start-ups increased from more than 1 000 in 2014 to more than 3 300 in 2020, with their number of employees increasing from more than 2 000 to more than 12 000. Investment from venture capital funds in Hong Kong also increased drastically from \$1.2 billion in 2014 to about \$10 billion in 2020. We are happy to see that there are currently 11 unicorns in Hong Kong. In fact, Hong Kong enjoys tremendous strength in scientific research. Many start-ups have successfully commercialized their research and development outcomes while a few unicorns also benefited from Hong Kong's I&T infrastructure, policy measures and funding schemes, etc.

The Government will continue to support the industry, academia and research institutes through different schemes under ITF, covering upstream, midstream, downstream research and to help technology start-ups attract private investment. For example, the Innovation and Technology Venture Fund ("ITVF") under ITF encourages venture capital funds to invest in local I&T start-ups and currently has nine co-investment partners. Since its inception in 2017 up to June this year, ITVF has invested around \$120 million in 20 local I&T start-ups.

Furthermore, the tenants (and incubatees) of the Hong Kong Science and Technology Parks Corporation ("HKSTPC") and Cyberport attracted more than \$40 billion of investment from 2018-2019 to 2020-2021 to further support technology start-ups. HKSTPC will also pump up its Corporate Venture Fund to \$600 million, and Cyberport will pump up a similar fund (the Cyberport Macro Fund) to \$400 million. The scopes of the two funds will be expanded to cover Series B and later stage investments.

MR PAUL TSE (in Cantonese): *To be fair, the food truck was boasted about by the Financial Secretary of the previous Government and the predecessor of the Secretary. There was a lot of publicity and the public was very impressed. Therefore, should something untoward happen, I believe there is a high chance that the public will strongly believe that the Government had better not done it. The crux of the question is why this comparison is made. In fact, I would like to say that the University of Hong Kong has been granted \$20 million to develop nasal vaccines, while the vaccines from Finland, Australia and Russia are nearing the clinical trial stage and almost ready for market launch. The \$20 million granted by Hong Kong is really a pitiable amount.*

The Secretary mentioned in his reply many investments, ITVF, and so on, but the public is not aware of which the unicorn enterprises are, and no one knows who the nine co-investment partners are. I think that while the Government is spending so much money on doing these things, no one knows what the Government has done. It has even failed to provide more funding for the University of Hong Kong. The food truck, which has been boasted about, is now faring poorly. Will this give the public the impression that the Government is doing everything badly, and that it had better not done it?

PRESIDENT (in Cantonese): Which public officer will reply? Secretary for Commerce and Economic Development, please reply.

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): In response to Mr TSE's supplementary question just now, I understand that as the Government has introduced a lot of policies to support the industry, people certainly hope that the enterprises will be successful. However, in reality, all enterprises, especially those in higher-risk industries, cannot be 100% successful when they need government funding. Mr TSE has cited two rather extreme examples, one being the pilot scheme to introduce food trucks in the form of supporting tourism. As I have mentioned in the main reply, we can actually see that during this period of time, the Government has put in a lot of efforts to enable the whole scheme to cater for the needs as far as possible.

Certainly, some in the industry may still ask if more can be done. In this regard, we will keep going, and that is why we have extended the scheme twice. However, Mr TSE has mentioned some start-ups, and in fact over the years—I believe Secretary SIT will fully agree and respond later—we have provided not

just money, but a whole package of support for start-ups, so that many of our partners have actually made some achievements in this area. In this connection, I will leave it to Secretary SIT to reply.

PRESIDENT (in Cantonese): Secretary for Innovation and Technology, please reply.

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Cantonese): I thank Mr TSE for his supplementary question. In fact, over the past few years, the Government has been vigorously promoting I&T, and it has started to yield results. Most notably, as the Secretary has said just now, we have 11 companies that have become unicorns. Perhaps you would like to know which 11 companies they are. They cover many different areas, including financial technology, artificial intelligence, logistics and transportation. You may have heard of SenseTime, a nationally and globally renowned artificial intelligence company that was incubated in Hong Kong and has grown into a unicorn. In addition, we may have noticed GoGoVan or Lalamove, both of which are technology platforms for logistics and transportation services incubated locally in Hong Kong, and Klook is a company that has attained the status of a unicorn in the travel industry.

Certainly, apart from these success stories, we also have other start-ups that are working their way up, and, whether in the Science Park or the Cyberport, their number has exceeded 3 000 already. These figures are encouraging, and we will keep it up. As reminded by Mr TSE just now, we are working hard on facilitating the continuous development of technology in Hong Kong through government funding, and even turning it into a new economic driver for Hong Kong.

MR TOMMY CHEUNG (in Cantonese): *I thank Mr Paul TSE for his question about the food truck. I understand Secretary Edward YAU's answer, because a few years ago the industry and I conveyed to him our aspirations, and I think he has done all what he could do. I also do not think that he has abandoned it after taking office as if it was someone else's child just because this is the "baby" of the previous Government. He likewise hopes to do the job properly.*

Unfortunately, however, I would like to raise this issue now. The scheme has been positioned as a tourism project, and there is no tourism now due to "black-clad violence" and the epidemic. Even when there was, location was still a problem. The location at Disneyland is a good one, but it has been relocated there only because I had spoken up. I also wanted to apply for running a food truck at that time. As regards Ocean Park, I had spoken up, but they refused to change the location, and thus the location at Ocean Park is not a good one. As such, it is difficult for government officials, especially the Secretary, to do different things in the same position, because he is not a businessman. However, I also hope that the Government will not restrict the operation of food trucks if it wants to keep the scheme running.

In fact, I think there are two locations where food trucks are likely to have more business and will not compete with other licensed food establishments for business. One is in private homes. If the food truck is driven downstairs to prepare food and then serve it to private homes, food establishments will really not be affected. The other is construction sites where there are a lot of workers. This year we have approved more than \$300 billion, and a lot of construction projects will be undertaken in the future. May I ask the Secretary whether he will reconsider, or even discuss with the Food and Health Bureau about, allowing these food trucks to go to the construction sites and sell hot food to the workers? As food is not available in the vicinity of the sites, the workers can then eat in a healthier and more hygienic way. Moreover, can they be allowed to enter private homes to do business? Certainly, I think schools can likewise be considered, but this may take away business from my other sector. Will the Secretary consider relaxing the restrictions so that food trucks can have more room for survival?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): I thank Mr Tommy CHEUNG for his comments. In fact, similar proposals have been discussed over the past four years. Let me talk about private events first. As Mr Tommy CHEUNG has also mentioned, food trucks are not just about food licences, otherwise they should be handled in the same way as food establishments. They are not mobile food vendors either, because other licences are involved. When we proposed the idea of food truck, we wanted to promote tourism in parallel in such a way, so the locations we chose had the flow of people and tourism. This was a factor in our consideration.

Another factor, as mentioned by Mr CHEUNG himself, is that we do not mean to duplicate efforts. For example, we are not making food trucks compete for business with food establishments in the vicinity, because there is a huge difference in their operating costs. As regards rental concession I have mentioned just now, the cheapest daily rental for a food truck at a location designated by the Government is no more than \$100, and the rental is generally a little over \$100. There is a big difference in comparison with commercial operation.

However, as regards those events or, specifically, self-identified events, we will, as I have mentioned in the main reply just now, allow the operation if it is a public event and the relevant licensing requirements can be met. However, if the operation of food truck is allowed for any private event, we have to consider whether the existing food and environmental hygiene and safety standards can be met. As for other locations, as I have pointed out in the main reply just now, we have been listening to views and considering them. As far as the nature of the event is concerned, I remember that there was a concert and someone suggested on that day that they might operate there, and we tried our best to make arrangements. These can be considered under the existing framework, but, as I mentioned at the beginning, we also have to take into account the policy intent, whether it will conflict with existing business operations or create unnecessary and unequal competition, and whether it is in compliance with other relevant legislation.

MR MARTIN LIAO (in Cantonese): *President, it is obvious to all that the Scheme has been faring poorly. To a certain extent, this is due to the impact of "black-clad violence" and the epidemic, but it also reflects the Government's inadequate support for emerging industries and its lack of flexibility, resulting in obsolete policies and outdated legislation that have failed to keep pace with the times. In fact, in her first policy address, the Chief Executive stated that she would ask the Policy Innovation and Co-ordination Office to be established to work with all bureaux to proactively review the policies and legislation within their policy purview to bring them up to date and remove red tape in order to foster the development of a new economy.*

In this regard, may I know what policies and legislation the Commerce, Industry and Tourism Branch of CEDB has reviewed on its own and together with the Policy Innovation and Co-ordination Office since 2017 in support of emerging industries? What are the details and effectiveness of updating the policies and legislation?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): In response to the supplementary question raised by Mr Martin LIAO, the issue of policy innovation and coordination is a recurring one within the Government and there is a need to find answers. In removing the so-called red tape, we in CEDB especially have to deal with a lot of enterprises, and we have examined how to assist these enterprises under the existing rules and regulations. Let me cite a very simple example. In our own bureau, there are nearly 10 different funds for the industry to apply, and there are also dozens of funds outside our bureau.

In fact, in the past two years or long before the outbreak of the epidemic, we conducted some studies with some organizations to see if a one-stop approach could be adopted to allow recipients to apply when there were many funds available. Some of them might be looking for help from ITF, some of them might be looking to expand their market, and some of them might be looking to build their brand. We have made these kinds of adjustments. I believe I have also told Members at the Legislative Council meeting that while we have stepped up our support to the industry, including increasing the funding ceiling by more than 10 times and expanding the funding scope of the two funds mentioned in the main reply just now, we have also simplified the procedures to offer more convenience to the applicants. To put it simply, if you apply for the BUD Fund via the Internet today, you will only be examined in the form of a one-page questionnaire to see if you are eligible, and then you can submit an application. This is what we do in our bureau, and even together with other bureaux.

When it comes to I&T, I remember that under the Anti-epidemic Fund, not only did we subsidize or support the industry by, for example, doing a good job in the allocation of 5G spectrum and encouraging the application of 5G in the form of a fund, but we will also collaborate extensively with the Innovation and Technology Bureau later on in terms of I&T. These are some examples of how we can make use of existing resources to coordinate the work in areas where there is an overlap of policies and even make adjustments to address the needs of the industry.

PRESIDENT (in Cantonese): Oral questions end here.

WRITTEN ANSWERS TO QUESTIONS**Mental health services**

7. **MS YUNG HOI-YAN** (in Chinese): *President, the Chief Executive announced in the 2020 Policy Address that an additional \$300 million would be earmarked under the Beat Drugs Fund to provide targeted and sustained support for persons with mental health needs. The Secretary for Food and Health indicated in January this year that the Advisory Committee on Mental Health ("the Committee") was actively carrying out preparatory work. In this connection, will the Government inform this Council:*

- (1) *of the up-to-date number of meetings held by the Committee on the preparatory work, and the progress made;*
- (2) *whether the Committee has formulated the relevant support initiatives; if so, of the details of each initiative (including the name, content, service provider(s), service targets, expected number of beneficiaries, estimated expenditure and manpower involved, implementation timetable, as well as mechanisms for monitoring and evaluating effectiveness); if not, the reasons for that;*
- (3) *whether it has estimated the current number of people and percentage of the population in Hong Kong in need of the mental health services provided by the public healthcare system and, among them, the number of those who are being/have been provided with such services by the public healthcare system, together with a breakdown by the age group to which they belong; of the types of such services, as well as the current quotas and the number of persons waiting for them; if it has not estimated, of the reasons for that, and whether it will make the relevant estimation; and*
- (4) *whether it will proactively seek out persons in the community who are in need of mental health services but have not sought assistance, so as to provide them with appropriate support as early as possible; if so, of the details (including the manpower involved); if not, the reasons for that?*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, having consulted the Hospital Authority ("HA"), I set out my reply to the question raised by Ms YUNG Hoi-yan as follows:

(1), (2) and (4)

Regarding the additional \$300 million reserved under the Beat Drugs Fund for supporting new mental health initiatives, the Advisory Committee on Mental Health ("ACMH") and its Project Panel have already held three meetings to discuss the implementation arrangements for the scheme. ACMH has agreed to conduct the scheme in two phases, and has determined the priority areas for the first phase.

Projects to be considered in the first phase are expected to fall into three priority areas, namely training of lay leaders to establish a community network on mental health support; support for carers; and information technology support for the elderly. Apart from these priority projects, other mental health-related projects that are innovative and effective may also be considered under the scheme. Based on the current progress of the preparatory work, ACMH plans to invite project proposals from relevant organizations in the third quarter of 2021. Such proposals should include the name, content, target service users, estimated number of beneficiaries, expenditures and manpower involved, implementation timetable, etc. of individual projects. The Project Panel will assess the proposals and make recommendations for ACMH's approval. Like other funded projects, organizations implementing the approved projects will be required to submit regular progress reports, annual audit reports and evaluation reports for ACMH to monitor the implementation and effectiveness of the projects.

When assessing the proposals submitted by organizations, the Project Panel will take into consideration different aspects, including the coverage of target service users, the effectiveness of the proposed support, whether there will be dissemination of messages that promote help-seeking and elements that facilitate those in need to seek help proactively, etc. Details of the projects will be subject to the content of individual proposals. The Food and Health Bureau ("FHB") will deploy the existing manpower resources of the ACMH Secretariat to follow up on the implementation of the projects.

ACMH tentatively plans to embark on the preparation for the second phase of the scheme within 2022 after gaining experience from the first phase implementation.

- (3) In 2020-2021, the number of psychiatric patients treated by HA (including in-patients and patients at specialist outpatient ("SOP") clinics and day hospitals) with breakdown by age groups is tabulated below:

<i>Age group</i>	<i>Number of psychiatric patients treated in 2020-2021</i>
Below 18	40 100
Between 18 and 64	164 900
65 or above	70 800
Total:	275 800

Notes:

- (1) Referring to age as at 30 June of the year.
- (2) Figures are rounded to the nearest hundred.

In 2020-2021, the numbers of new case bookings triaged by HA as Priority 1 (urgent), Priority 2 (semi-urgent) and Routine (stable) cases and their respective median waiting time with breakdown by psychiatric SOP services are tabulated below:

<i>Psychiatric SOP services in 2020-2021</i>	<i>Priority 1</i>		<i>Priority 2</i>		<i>Routine</i>	
	<i>Number of new case bookings</i>	<i>Median waiting time (week)</i>	<i>Number of new case bookings</i>	<i>Median waiting time (week)</i>	<i>Number of new case bookings</i>	<i>Median waiting time (week)</i>
Child and adolescent psychiatric SOP service	447	1	948	3	9 674	64
Adult psychiatric SOP service	2 191	1	7 288	3	18 213	15
Psychogeriatric SOP service	739	<1	2 401	5	5 524	40

FHB commissioned the University of Hong Kong and The Chinese University of Hong Kong in 2019 to conduct three territory-wide mental health prevalence surveys covering children, adolescents and elderly persons respectively, with a view to finding out the prevalence and mental health needs of different age groups. The surveys are expected to be completed within 2022. FHB is also planning for the conduct of a mental health prevalence survey on adults at the next stage. FHB expects that the data collected in the surveys will provide a clearer picture on the estimated number of persons in need of mental health services, thus helping the Government determine the directions for the long-term development of relevant services.

SME Export Marketing Fund

8. **MR JIMMY NG** (in Chinese): *President, the SME Export Marketing Fund ("EMF") provides financial support to small and medium enterprises ("SMEs") to encourage their participation in export promotion activities, thereby assisting them in expanding their markets outside Hong Kong. To support enterprises in conducting local market promotion activities and making full use of both online and offline avenues to conduct promotion activities, the Government has, since 30 April this year, expanded the funding scope of EMF to include local exhibitions and virtual exhibitions targeting the local market, and allowed applications from non-listed enterprises other than SMEs (collectively referred to as "enhancement measures"), for a period of two years. In this connection, will the Government inform this Council:*

- (1) *of the details of the relevant publicity efforts targeting the industrial and commercial sectors made by the authorities since the launch of the enhancement measures, and the manpower and expenditure involved;*
- (2) *of the respective numbers of applications (a) received and (b) approved by the authorities since the launch of the enhancement measures which (i) involved the aforesaid exhibitions and virtual exhibitions and (ii) were submitted by non-listed enterprises other than SMEs, and the average amount of funding granted per application for each type of applications;*

- (3) *as the authorities pointed out a few months ago that it was unlikely that exhibitions outside Hong Kong could fully resume within a short period of time, and that virtual exhibitions had become increasingly popular, whether the authorities will extend the implementation period of the enhancement measures; if so, of the details; if not, the reasons for that; and*
- (4) *as the funding ceiling per EMF application is currently pitched at 50% of the total approved expenditure incurred by the applicant enterprise for the relevant activity or \$100,000, whichever is the less, whether the authorities will raise such funding ceiling; if so, of the details; if not, the reasons for that?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, established in 2001, the SME Export Marketing Fund ("EMF") aims to provide funding support to encourage small and medium enterprises ("SMEs") to conduct export promotion activities, such as participation in exhibitions and business missions outside Hong Kong, to develop such markets. To support enterprises in coping with the present economic challenges, the scope of EMF has been expanded since 30 April 2021 to cover large-scale exhibitions as well as online exhibitions targeting the local market, and the eligibility has been relaxed to cover non-SMEs, for a period of two years.

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

- (1) The Trade and Industry Department ("TID") promotes the latest enhancement measures of EMF to enterprises through various channels, including disseminating the key information on the EMF website, notifying trade and industrial organizations/trade associations via emails, organizing seminars, and sending representatives to attend the physical or online seminars organized by trade and industrial organizations/trade associations.

TID also disseminates information on the latest enhancement measures of EMF through the four consolidated SME centres (i.e. the Support and Consultation Centre for SMEs of TID, the SME Centre of the Hong Kong Trade Development Council ("HKTDC"),

SME One of the Hong Kong Productivity Council and TecONE of the Hong Kong Science and Technology Parks Corporation) and the SME ReachOut team.

The Commerce and Economic Development Bureau also engaged *Hong Kong Economic Times* from August 2020 to April 2021 to launch a promotion campaign, which includes provision of information about EMF through plain and easily comprehensible information (info-packs), topical articles and sharing of successful cases through an online platform.

TID will continue to encourage enterprises through various promotion channels to make better use of funding support provided by the Government. The manpower and expenditure for the work mentioned above have been subsumed under the overall estimated expenditure of TID, and cannot be quantified separately.

- (2) The number of applications received by TID and relevant information in relation to the expansion of funding scope covered by the enhancement measures during the period from 30 April to 30 June 2021 are as follows:

	<i>Exhibitions targeting the local market</i>	<i>Online exhibitions</i>	<i>Applications submitted by non-SMEs</i>
Number of applications received ^{Note}	2 278	67	85
Number of applications being processed	1 582	53	47
Number of applications approved	667	13	38
Number of applications rejected	29	1	0
Average amount of grants for applications approved	\$25,130	\$2,120	\$49,780

Note:

Excluding applications withdrawn by enterprises.

- (3) As the global pandemic lingers on, enterprises have been facing difficulties in conducting export promotions outside Hong Kong. The enhancement measures, effective for two years, aim to assist enterprises in switching to conduct promotions targeting the local market during the pandemic, with a view to exploring more local business opportunities and utilizing digital technologies in business development. The Government will closely monitor the market situation and needs of enterprises, and review the operation of EMF with a view to providing enterprises with due support.

On the other hand, the Government established the \$1,020 million Convention and Exhibition Industry Subsidy Scheme ("the Scheme") under the Anti-epidemic Fund to provide subsidies to exhibitors of exhibitions and participants of major conventions organized by HKTDC, as well as organizers of exhibitions and international conventions at the Hong Kong Convention and Exhibition Centre and AsiaWorld-Expo, and urges the organizers to share the subsidies with participants. The Government has extended the Scheme twice to 30 June 2022 to benefit more convention and exhibition activities. The Government has also made special arrangement so that eligible enterprises may benefit from the subsidies under both the Scheme and EMF.

- (4) EMF currently provides funding support to enterprises on a matching basis. The maximum amount of funding support for each successful application is 50% of the total approved expenditure incurred by the applicant enterprise or \$100,000, whichever the less. TID has raised the funding ceiling per application from \$50,000 to \$100,000 since August 2018. As at end June 2021, the average grant amount for applications approved was \$22,170. Approved applications with grant amount reaching \$100,000 accounted for only 3% of the total number of applications approved, showing that the current funding ceiling can meet the needs of the vast majority of enterprises. The Government will monitor the usage and review EMF as appropriate.

Supporting the exhibition industry

9. **MR YIU SI-WING** (in Chinese): *President, at the end of last year, the Government launched the Convention and Exhibition Industry Subsidy Scheme ("the Subsidy Scheme") to provide subsidies for organizers of exhibitions and international conventions held at the Hong Kong Convention and Exhibition Centre and AsiaWorld-Expo, as well as exhibitors of exhibitions and participants of major conferences organized by the Hong Kong Trade Development Council. In June this year, the Government extended the Subsidy Scheme for six months to 30 June next year. However, some members of the exhibition industry have pointed out that as cross-boundary travels of people have come to a halt due to quarantine measures, there is no definite time for the recovery of the exhibition industry, which has made them feel very anxious. In this connection, will the Government inform this Council:*

- (1) *of the number of exhibitions which were held and subsidized by the Subsidy Scheme and the total amount of subsidies involved; whether it knows the number of visits to such exhibitions, and the respective numbers of countries from which exhibitors and buyers were attracted to participate in such exhibitions (setting out such information in a table by name of exhibition);*
- (2) *whether it knows the number of exhibitions originally scheduled to be held at the aforesaid venues that have been cancelled or postponed due to the epidemic since January 2020, and set out the details of such exhibitions by name of exhibition;*
- (3) *given that the epidemic has subsided, whether the Government will, by drawing reference from its practice of exempting qualified persons in the financial services sectors from the compulsory quarantine requirements, consider relaxing the quarantine measures imposed on overseas and Mainland exhibitors coming to Hong Kong to participate in exhibition events, so that the organization of various types of exhibitions can resume promptly; if so, of the details; if not, the reasons for that; and*
- (4) *whether it has, by drawing reference from the practices of overseas countries, adopted measures to encourage the industry to resume organizing exhibitions, thereby paving the way for the reactivation of exhibition events; if so, of the details; if not, the reasons for that?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, in February 2020, the HKSAR Government announced the establishment of the \$1,020 million Convention and Exhibition Industry Subsidy Scheme ("the Scheme") under the first round of Anti-epidemic Fund to provide subsidies to the organizers of exhibitions and international conventions at the Hong Kong Convention and Exhibition Centre ("HKCEC") and AsiaWorld-Expo ("AWE"), as well as exhibitors of exhibitions and participants of major conventions organized by the Hong Kong Trade Development Council, so as to encourage the organization of convention and exhibition activities in Hong Kong. The two parts of the Scheme were launched in October and November 2020 respectively. The Government has extended the Scheme twice to 30 June 2022.

Regarding the questions raised by Mr YIU Si-wing, my reply is as follows:

- (1) As of 30 June 2021, the Scheme provided total subsidy of around \$97.38 million to 42 exhibitions, which involved around 6 100 exhibitors (around 4 500 local exhibitors and around 1 600 non-local exhibitors) and around 600 000 visits (around 597 000 local visits and around 3 000 non-local visits). Details of individual events involve commercially sensitive information and would not be disclosed.
- (2) According to the information provided by the management companies of HKCEC and AWE, 111 and 65 exhibitions originally scheduled for February 2020 to June 2021 at the two venues were postponed or cancelled respectively. Details of individual events involve commercially sensitive information and would not be disclosed.
- (3) The HKSAR Government has been communicating and liaising closely with the governments of the Mainland and the Macao Special Administrative Region on measures for epidemic prevention and control. For the early resumption of normal cross-boundary flow of people amongst the three places in an orderly manner, the HKSAR Government will continue to closely monitor and control the epidemic situation, and to speed up vaccination for members of the public. Meanwhile, the HKSAR Government will maintain liaison with the Mainland and Macao to actively explore the resumption of normal cross-boundary activities amongst the three places in a gradual and orderly manner, on the premise that the epidemic situation in the three places is under control and without posing

additional public health risks. As regards overseas economies, the HKSAR Government will continue to explore the establishment of "Travel Bubbles" with overseas economies that have relatively stable epidemic situation and close economic and trade relations with Hong Kong, in order to resume cross-border travel in a gradual and orderly manner while balancing the need to protect public health and avoiding importation of cases.

- (4) As aforementioned, the HKSAR Government has extended the Scheme twice to 30 June 2022, benefiting more convention and exhibition activities. The trade has been positive towards the Scheme, and reflected that the HKSAR Government was ahead of other places in providing swift and timely subsidy. The HKSAR Government will maintain liaison with the trade to reinvigorate Hong Kong's premier position as an international convention, exhibition and sourcing hub.

Estates disposition and burial for intestates

10. **DR CHIANG LAI-WAN** (in Chinese): *President, regarding estates disposition and burial for intestates (especially for elderly singletons with no relatives and friends), will the Government inform this Council:*

- (1) *of (i) the number of cases in which the unclaimed balances of intestates' estates were paid into the account of the Government, and the total amount of money involved (with a breakdown by the gender and age of the deceased), as well as (ii) the highest and lowest amounts of money involved in such cases, in each of the past five years;*
- (2) *whether it will inject the money mentioned in (1) into a newly established fund for the provision of services to elderly singletons; if so, of the details; if not, the reasons for that;*
- (3) *of the number of unclaimed dead bodies received by the Food and Environmental Hygiene Department in each of the past five years from (i) public hospitals and (ii) the Police, with a breakdown by the gender and age of the deceased as well as the way of burial (i.e. earth burial or cremation);*

- (4) *of the number of burial grant applications received by the Social Welfare Department and the expenditure involved, in each of the past five years, with a breakdown by the gender and age of the deceased;*
- (5) *whether it knows the number of cases in which the various non-governmental organizations ("NGOs") provided burial support services for the elderly in each of the past five years;*
- (6) *whether it will consider amending the relevant legislation to allow NGOs providing burial support services for the deceased to apply to the Home Affairs Department for the withdrawal of money from the bank accounts of the deceased for meeting the funeral expenses; if so, of the details; if not, the reasons for that; and*
- (7) *of the new measures in place to (i) support NGOs in providing burial support services for the elderly and (ii) assist the elderly in making their after-death arrangements?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, having consulted the Judiciary, Financial Services and the Treasury Bureau, Food and Health Bureau, and Home Affairs Bureau, my consolidated reply is as follows:

- (1) The Judiciary has pointed out that, under the Probate and Administration Ordinance (Cap. 10), if the Official Administrator (i.e. Registrar of the High Court) has decided to summarily administer an estate or has been granted administration of an estate (mostly from persons who died intestate without any known next of kin) and a balance of such estate remains unclaimed in his hands, he shall pay that balance into the Treasury or into the account of the Government at such bank as the Director of Accounting Services may direct. For estates under summary administration, all unclaimed balance will be transferred to the general revenue after five years from getting in. For other estates with unclaimed balance exceeding \$500 and the entitled person remains not known to him, the Official Administrator is required to publish an advertisement to invite any claims to be made. If at the expiration

of a period of five years from the date of first publication of such advertisement, the Official Administrator is of the opinion that no claim can reasonably be expected against the estate, he may transfer the balance of the estate to the general revenue.

The information provided by the Judiciary shows that, out of an average of over 20 000 probate cases received each year from 2016 to 2019, there were only a few hundreds with unclaimed balance. The annual balance of those estates remaining unclaimed five years from the relevant dates of published advertisements which were transferred to the general revenue over the past five years is as follows:

<i>2016-2017</i>	<i>2017-2018</i>	<i>2018-2019</i>	<i>2019-2020</i>	<i>2020-2021</i>
\$24 million	\$63 million	\$42 million	\$8 million	\$11 million

- (2) The Financial Services and the Treasury Bureau has advised that the General Revenue is used for various policies and services to meet the needs of all sectors of the community.
- (3) Upon request from hospitals or public mortuaries, the Food and Environmental Hygiene Department ("FEHD") will arrange burial or cremation for unclaimed bodies according to the instructions of the relevant statutory documents. The breakdown of relevant statistics for the past five years provided by FEHD is as follows:

By year and source of bodies:

<i>Year</i>	<i>Transferred from hospitals (a)</i>	<i>Transferred from public mortuaries (b)</i>	<i>Subtotal (a)+(b)=(c)</i>
2016	308	147	455
2017	270	191	461
2018	218	204	422
2019	133	123	256
2020	220	269	489
		Total	2 083

By age and gender:

<i>Age (Years)</i>	<i>Burial</i>		<i>Cremation</i>	
	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>
Over 81	234	41	123	43
71-80	272	27	141	28
61-70	289	30	94	28
51-60	140	27	62	13
41-50	37	14	14	3
31-40	17	3	4	4
21-30	7	3	6	4
11-20	5	4	4	4
0-10	25	15	59	36
Age unknown	40	8	49	8
Unclaimed abortuses	0		118	
Total	1 238		845	

- (4) Under the Comprehensive Social Security Assistance ("CSSA") Scheme, the deceased recipient's family, relative/friend, the charitable institution or non-governmental organization ("NGO") subvented by the Social Welfare Department ("SWD") in charge of the burial arrangement of the deceased can apply to SWD for the burial grant for meeting the burial expenses of the deceased recipient (e.g. the charge for the death certificate and other burial services costs). The maximum amount of the burial grant is currently at \$15,970. SWD does not keep the figures on recipients and expenditure under the CSSA burial grant or the statistics on the gender and age of the deceased recipients.
- (5) The concerned bureaux and departments have indicated that they do not maintain statistics on burial support services provided by the NGOs for the elderly.
- (6) According to the Probate and Administration Ordinance, the Secretary for Home Affairs, upon being satisfied that an applicant of a "certificate for releasing money from bank account of deceased" is a fit and proper person, may approve the applicant to withdraw money from the bank account of the deceased to meet the funeral expenses of the deceased person. There is no restriction in the

relevant legislation that the said applicant must be an executor of the deceased person or a person entitled in priority to the administration of the concerned estate. On approval of the relevant application, the Home Affairs Department will instruct the bank to make payment to the funeral service provider direct. In view of the flexibility allowed by the existing legislation, it is not necessary to make legislative amendments.

- (7) Currently, 211 elderly centres in Hong Kong subvented by the Government provide various support services for elderly persons. These include organizing life and death education programmes and talks or seminars related to the arrangement of after-death matters (e.g. will-making, estate administration, funeral arrangements, etc.), providing bereavement counselling to the bereaved, and providing information or referral on funeral arrangements. Some NGOs also assist the elderly in planning for after-death matters, such as consultation on funeral arrangements, will-making, photo-taking or preparation of photographs for after-death ceremonies and counselling the bereaved.

Promoting the development of Hong Kong

11. **MS STARRY LEE** (in Chinese): *President, apart from supporting, as in the past, Hong Kong in enhancing its status as international centres (i.e. international financial, transportation and trade centres, as well as centre for international legal and dispute resolution services in the Asia-Pacific region) in four traditional sectors, the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 ("the 14th Five-Year Plan") has put forward for the first time the support for Hong Kong in four emerging sectors, namely supporting Hong Kong to enhance its status as an international aviation hub and develop into an international innovation and technology hub, a regional intellectual property trading centre, as well as an East-meets-West centre for cultural and art exchange. The Government has indicated that its various policy bureaux and government departments concerned will take forward relevant work in accordance with the content of the 14th Five-Year Plan in order to achieve certain results. In this connection, will the Government inform this Council:*

- (1) *of the respective shares in the Gross Domestic Product of the industries belonging to the aforesaid four traditional and four emerging sectors last year and in the first half of this year; whether it has set targets on the relevant shares to be attained by such industries in the coming five years; if so, of the details; if not, the reasons for that; and*
- (2) *given that the Financial Services Development Council has, since its establishment in 2013, published dozens of research reports and put forward a number of proposals for the purpose of spurring the development of Hong Kong's financial industry (including development in areas such as wealth management and cross-boundary financial connectivity between Hong Kong and the Mainland) (with most of the proposals having already been implemented by the Financial Services and the Treasury Bureau), whether the Government will, by drawing reference from the aforesaid model, and for the purpose of promoting the sustained development of the industries in the three remaining traditional sectors and four emerging sectors as well as taking forward the aforesaid work related to the 14th Five-Year Plan, set up for each of the sectors concerned a professional structure dedicated to carrying out relevant research studies and putting forward proposals for reference of the relevant policy bureaux in formulating follow-up measures; if so, of the details; if not, the reasons for that?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Chinese): President, having consulted the relevant bureaux and departments, our consolidated reply to the question raised by Ms Starry LEE is set out below:

The Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 ("National 14th Five-Year Plan") is the blueprint and action agenda for the social and economic development of the country for the next five years. Its content relating to Hong Kong demonstrates the Central Government's unwavering support for Hong Kong in different aspects; it also establishes a clear positioning for Hong Kong's future development and integration into the overall development of the country. Among which, the National 14th Five-Year Plan mentions the support for Hong Kong in reinforcing

and enhancing its competitive advantages. Apart from the continued support for Hong Kong to enhance its status in the four traditional centres, i.e. international financial, transportation and trade centres as well as a centre for international legal and dispute resolution services in the Asia-Pacific region, new impetus has been awarded to four emerging centres or status, including the support for Hong Kong to enhance its status as an international aviation hub, to develop into an international innovation and technology ("I&T") hub, a regional intellectual property ("IP") trading centre and an East-meets-West centre for international cultural exchange. The diverse and comprehensive positioning implies that Hong Kong may continue to leverage on its pivotal role under the "what the country needs, what Hong Kong is good at" strategy, with an aim to expand Hong Kong's scope for further development by making use of our cutting edge, while at the same time contributing to the country's needs.

The reply to the question raised by Ms Starry LEE is as follows:

- (1) According to the latest estimates from the Government, the value added of the four traditional sectors of "financial services", "trading", "maritime and port sector" and "legal, accounting and auditing services" accounted for 21.2%, 16.8%, 1.1% and 1.3% respectively of Hong Kong's Gross Domestic Product ("GDP") in 2019. Among the four emerging sectors, the value added of "air transport", "I&T" and "cultural and creative industries" accounted for 2.5%, 0.9% and 4.2% respectively of Hong Kong's GDP in 2019. Besides, there has been a growth in IP trading in Hong Kong in recent years. Total exports and imports of IP related services in 2019 amounted to \$5.9 billion and \$15.5 billion respectively, representing a respective growth of 18% and 8% as compared with those in 2015.

The Government has spared no effort in promoting the development of the above mentioned industries to diversify the economy. The country's positioning for Hong Kong under the National 14th Five-Year Plan demonstrates its confidence over Hong Kong's strong competitive edge in these areas, and that Hong Kong can complement the advantages of and develop hand in hand with the Mainland, especially the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"). Under the country's new development pattern featuring "dual circulation", the Government

will play the role of "participant" in domestic circulation and "facilitator" in international circulation. We will join hands with the private sector to explore new opportunities so as to enable Hong Kong's industries to have a more dynamic, diverse and interactive development, as well as to bring in new impetus. Relevant bureaux have devised work plans to complement and grasp the opportunities brought about by the National 14th Five-Year Plan.

- (2) To implement the part of the National 14th Five-Year Plan that relates to Hong Kong, relevant bureaux will first conduct detailed research pursuant to their policy purviews, and will suitably consult their sectors and related advisory committees to gauge their professional views for formulating work directions and plans. The relevant mechanisms and work plans for promoting the development of aviation and maritime, commerce and trade, IP, I&T, legal and dispute resolution services and arts and culture sector are as follows:

Aviation and Maritime Services

To strengthen the status as an international aviation hub, the Airport Authority Hong Kong will realize the Airport City vision and blueprint in the next 10 years, including the Three Runway System, enhancement of airport facilities, development of intermodal passenger transfer and cargo transshipment capabilities, SKYCITY, and development of high-growth, high-value air cargo services, in order to consolidate Hong Kong's position as an international aviation hub.

To entrench the status as an international maritime centre, the Transport and Housing Bureau and the Hong Kong Maritime and Port Board have been actively promoting the development of the port and maritime industry and working towards the national development goals by implementing a number of initiatives over the past years. On maritime services, the Government enacted legislative amendments in June and July 2020 to offer tax exemption and half-rate tax concession to ship leasing and marine insurance businesses respectively. It is also studying further tax measures to attract shipping commercial principals (such as ship managers, agents and shipbrokers) to set up presence in Hong Kong. Besides,

it is enhancing the service and coverage of the Hong Kong Shipping Register. Regional desks have been set up progressively in Shanghai, Singapore, London and Sydney since November 2019, and more will be set up in Tokyo, San Francisco and Toronto in phases in late 2021 to 2022, so as to broaden the service coverage to the Mainland, Asia, Europe and North America and improve the quality of service. The International Chamber of Shipping established its first-ever overseas office in Hong Kong in 2019 as a result of the concerted efforts of the industry and the Government. In addition, in September 2020, the Baltic and International Maritime Council ("BIMCO") approved the BIMCO Law and Arbitration Clause 2020, which includes Hong Kong as the fourth named arbitration venue, alongside London, New York and Singapore. This further consolidates Hong Kong's overall strength as an international maritime centre.

Commerce and Trade

The Commerce and Economic Development Bureau ("CEDB") will proactively leverage Hong Kong's unique advantages under "one country, two systems" to, on the one hand, seize the opportunities presented by the Mainland's domestic circulation by tapping the domestic sales market and, on the other hand, strengthen Hong Kong's role as a connecting platform between the Mainland and the rest of the world under international circulation and key link for Belt and Road, in particular in connecting the Greater Bay Area and the Association of Southeast Asian Nations.

The Hong Kong Trade Development Council ("HKTDC") has been endeavouring to fulfil its statutory functions of promoting, assisting and developing Hong Kong's trade with other places as well as making recommendations to the Government on achieving growth of Hong Kong's trade, including conducting economic and trade research and publishing reports in different areas from time to time. CEDB will continue to gauge the trade's view on enhancing Hong Kong's status as an international trading centre through HKTDC, the Trade and Industry Advisory Board, local trade and industrial organizations as well as international business chambers.

IP

The Government set up a Working Group on IP Trading in 2013, chaired by the Secretary for Commerce and Economic Development, to study the strategies to promote IP trading. In 2015, the Working Group released a report with an action framework covering four strategic areas and 28 recommendations to promote the development of Hong Kong as an IP trading centre. CEDB and the Intellectual Property Department ("IPD") have since been working closely with stakeholders on the implementation of the relevant recommendations, and IP trading in Hong Kong has been on the rise in recent years. To work towards the National 14th Five-Year Plan to support Hong Kong to develop into a regional IP trading centre, CEDB and IPD will continue to adopt a multi-pronged approach to further promote the development of IP trading in Hong Kong. The key tasks include reviewing the IP regime regularly to keep it abreast with the times; and promoting the free IP Consultation Service, IP Manager Scheme and related training programmes to assist I&T enterprises in commercializing their research and development results. Following the guidance and support of the National 14th Five-Year Plan and the Outline Development Plan for the Greater Bay Area, and capitalizing on the advantages under "one country, two systems", we will also join hands with IP authorities of the Mainland and Macao to enhance collaboration on IP protection, management and utilization in the Greater Bay Area, and to foster cooperation on cross-boundary IP trading and services in order to strengthen Hong Kong's position as the regional IP trading centre.

I&T

The Government has all along been closely engaging industry experts regarding Hong Kong's I&T development, including the Hong Kong academicians of the Chinese Academy of Sciences and the Chinese Academy of Engineering, and the Greater Bay Area Association of Academicians established in April this year.

Besides, the Government set up the Committee on Innovation, Technology and Re-industrialisation in 2017, chaired by the Financial Secretary with members drawn mainly from I&T and

industrial sectors. The Committee advises the Government on matters relating to the promotion of I&T development and re-industrialization in Hong Kong, and puts forward appropriate development strategies and work proposals to enhance cooperation and coordination among stakeholders. There are also different advisory bodies under the Innovation and Technology Bureau ("ITB") which offer advice to the Government in their respective areas.

ITB or the Innovation and Technology Commission ("ITC") have also, in the capacity of an official member, sit in the board or council of various I&T platforms and research and development ("R&D") Centres⁽¹⁾. Relevant boards or councils comprise members who are professionals from various industries and hence, can provide advice on Hong Kong's I&T development on behalf of their organizations. As for Hong Kong's future I&T development, ITC has commissioned an independent consultant to carry out a study to analyse the roles, positioning and impact of the five R&D Centres. According to the consultancy study, the five R&D Centres have a clear positioning. Apart from promoting the development of the industry and society through applied research in their respective technology field, the R&D Centres have positive impact on various areas including economic contribution, commercialization and technology transfer.

The Policy Innovation and Co-ordination Office has also appointed a Strategic Planning Advisor for Hong Kong/Shenzhen Co-operation to be responsible for the strategic spatial planning for the comprehensive expansion of the Hong Kong-Shenzhen integrated development, as well as research and proposed formulation of related policies.

- (1) Including the Hong Kong Science and Technology Parks Corporation, the Hong Kong Cyberport Management Company Limited, the Hong Kong-Shenzhen Innovation and Technology Park Limited, the Hong Kong Productivity Council, the Automotive Platforms and Application Systems R&D Centre, the Hong Kong Applied Science and Technology Research Institute, the Hong Kong Research Institute of Textiles and Apparel, the Logistics and Supply Chain MultiTech R&D Centre and the Nano and Advanced Materials Institute.

Legal and Dispute Resolution Services

The Department of Justice ("DoJ") has various existing mechanisms in handling with or deliberating issues and engaging stakeholders' views relating to the development of Hong Kong as a centre for international legal and dispute resolution services in the Asia-Pacific region.

On arbitration services, DoJ is working closely with the stakeholders in formulating and implementing various initiatives to promote arbitration. The Advisory Committee on Promotion of Arbitration was set up by DoJ to consider, advise on and coordinate ongoing and new initiatives and overall strategies for the promotion of Hong Kong arbitration services. It also serves as a forum for the discussion of issues concerning the promotion of Hong Kong as a leading arbitration hub in the Asia-Pacific region. The Advisory Committee on Promotion of Arbitration includes representatives from the legal, arbitration and relevant sectors in Hong Kong. DoJ has also been liaising with arbitral institutions regularly to monitor the implementation of various initiatives in relation to arbitration. On mediation services, DoJ holds regular meetings with the Steering Committee on Mediation to explore and discuss issues relating to the promotion and development of mediation in Hong Kong. Members of the Steering Committee on Mediation include key stakeholders from the legal and mediation sectors. On legal services, DoJ maintains close partnership with various legal professional bodies including The Law Society of Hong Kong and the Hong Kong Bar Association by holding regular meetings to better understand the industry needs and to explore and discuss new initiatives.

Arts and Culture

To realize and consolidate the positioning as a hub for arts and cultural exchanges between China and the rest of the world, the Home Affairs Bureau ("HAB") will, in collaboration with the Leisure and Cultural Services Department ("LCSD") and other partners including the Hong Kong Arts Development Council ("HKADC"), the Hong Kong Academy for Performing Arts ("HKAPA") and the West Kowloon Cultural District Authority

("WKCDA"), continue to organize different arts and cultural activities with a view to strengthening the sense of belonging of Hong Kong residents to the Motherland and showcasing the soft powers of the Chinese culture to the world. Leveraging on our unique advantage of East-meets-West, we will actively pursue "bringing in" and "going global" and endeavour to develop Hong Kong into a centre for exchanges and cooperation with international arts and culture organizations and institutions.

In addition to our official capacity as members of HKADC, the Council of HKAPA and WKCDA Board, HAB and LCSD have set up different advisory bodies to collect views of the sector on the development of Hong Kong into a hub for arts and cultural exchanges between China and the rest of the world. Furthermore, with the establishment of a cultural cooperation framework within Guangdong, Hong Kong and Macao by HAB, the Department of Culture and Tourism of Guangdong Province and the Cultural Affairs Bureau of the Macao Special Administrative Region Government in 2003, Guangdong, Hong Kong and Macao have taken turns to organize the annual cultural cooperation meeting and together implement the recommendations for cooperation in different areas. At the same time, leveraging on this platform, the three places follow up and implement various initiatives under the chapter of "Joint Development of a Cultural Bay Area" in the Culture and Tourism Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, in order to support the development of Hong Kong into an even more competitive global platform for cultural exchange. This echoes the direction of developing Hong Kong into a hub for arts and cultural exchanges between China and the rest of the world as set out in the National 14th Five-Year Plan.

Shortage and overcrowding of berthing spaces at typhoon shelters

12. **MR FRANKIE YICK** (in Chinese): *President, in June 2017, the Government published a draft Report on the "Assessment of Typhoon Shelter Space Requirements—2015 to 2030" ("the draft Report") and the findings of a Review on Berthing and Sheltered Space for Local Vessels in Hong Kong ("the Review's findings"). Recently, some vessel operators have relayed that this*

year's typhoon season is drawing near, but there is a shortage of berthing spaces at typhoon shelters. They are therefore worried about the difficulty in finding sheltered spaces during inclement weather, which will threaten their life safety. On the other hand, there are views that the overcrowding of berthing spaces at typhoon shelters has led to the occurrence, from time to time in recent years, of fires engulfing a number of vessels. In this connection, will the Government inform this Council:

- (1) whether the Marine Department ("MD") has assessed (i) the discrepancies, since June 2017, between the respective supply of and demand for sheltered spaces for Classes I to IV vessels and those estimated figures set out in the draft Report, and (ii) if, based on the current trend of growth in the number of vessels, the number of sheltered spaces in Hong Kong is sufficient for meeting the demand up to 2030; as MD indicated in February this year that it was conducting a new round of assessment of sheltered space requirements, of the relevant progress;*
- (2) as the Review's findings have indicated that the reasons for the low occupancy rates of Hei Ling Chau Typhoon Shelter and Yim Tin Tsai Typhoon Shelter, which are remotely located, include the lack of feeder transport and ancillary facilities (e.g. facilities for waste disposal as well as fuel and water supply), of the progress made by MD in implementing the relevant enhancement measures and the effectiveness of such measures;*
- (3) apart from the measures mentioned in (2), of the progress made by MD in implementing other enhancement measures set out in the Review's findings and the effectiveness of such measures;*
- (4) given that whenever typhoons hit Hong Kong, ferry services will continue for a period of time to facilitate residents of the outlying islands to return home by ferry, and by the time the ferries sail, after service suspension, to nearby typhoon shelters for berthing, the berthing spaces are often all occupied, whether MD will designate berthing spaces for ferries and other work boats at typhoon shelters to ensure that berthing spaces are available for use by such vessels during typhoons; if so, of the details; if not, the reasons for that; and*

- (5) *of the measures in place to resolve the problem of overcrowding of berthing spaces at typhoon shelters, with a view to reducing the occurrence of fires engulfing a number of vessels?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, in response to Mr Frankie YICK's question, in consultation with the Marine Department ("MD"), our reply is as follows:

- (1) According to the forecast in the "Assessment of Typhoon Shelter Space Requirements 2015-2030" published by MD in 2017, the overall supply of sheltered spaces in Hong Kong waters is sufficient to meet the estimated demand from local vessels up till 2030.

A new round of periodical assessment was launched in August 2020. The relevant assessment will examine the supply and demand of sheltered spaces for various types of vessels from June 2017 to the present. It will also consider the number of sheltered spaces and the trends in the number and size of vessels and derive the difference between supply and demand by comparing the supply and demand projections. During the assessment, we will take into account the suggestions made by the trade, including exploring with relevant departments whether there is room for expansion in individual typhoon shelters. The assessment is expected to be completed in the second half of 2022.

- (2) and (3)

The marine refuse cleansing contractor of MD collects and removes floating marine refuse at all typhoon shelters (including Hei Ling Chau Typhoon Shelter ("HLCTS") and Yim Tin Tsai Typhoon Shelter ("YTTTS")) and provides free domestic waste collection services to vessels on a daily basis to keep the sea clean.

For bunker and water supply, there are currently eight designated bunkering areas within Hong Kong waters for oil carriers to supply fuel to vessels, and seven water selling kiosks to supply water to local vessels to meet the operational needs of vessels. If vessels are

moored at HLCTS and YTTTS, they may refuel at the nearby designated bunkering areas outside Cheung Chau Typhoon Shelter and Sai Kung Port respectively.

For transport services, MD understands that a number of kaito ferries in Sai Kung provide feeder services to and from Sai Kung Pier and nearby waters/islands, including YTTTS. Furthermore, some local stakeholders are interested in providing feeder services between HLCTS and other places (such as Mui Wo and Aberdeen), as well as other relevant supporting services (including water supply services).

Furthermore, to increase the supply of berthing spaces, MD has been providing around 1 000 additional designated private mooring spaces in a progressive manner since 2017, of which more than 700 are located in the new private mooring areas at HLCTS and the remaining spaces are located in the expanded private mooring area in Sai Kung and Tai Po. As of end June 2021, MD has approved a total of 189 applications for laying private moorings in HLCTS and the expanded private mooring area in Sai Kung. A new round of application for laying private moorings at HLCTS commenced in June 2021.

- (4) According to the existing legislation, under normal weather conditions, local vessels may anchor at any safe and suitable locations in the waters of Hong Kong (except in waters prohibited from mooring) according to the vessel's daily operational needs without the need for seeking approval from MD. During typhoons or inclement weather, local vessels may berth at typhoon shelters or sheltered anchorages.

Currently, most of the operating ferries have laid private moorings in the Victoria Harbour (e.g. New Yau Ma Tei Typhoon Shelter and waters north of Tsing Yi) as their fixed mooring locations. Two other ferries have their own private moorings at HLCTS for them to moor during the passage of typhoons.

According to MD's records, only 1 of the 14 typhoon shelters in Hong Kong had a utilization rate of 100% during typhoon in the past two years (i.e. To Kwa Wan Typhoon Shelter in 2020 and Tuen Mun

Typhoon Shelter in 2019). In 2018, when super typhoon Mangkhut hit Hong Kong and Typhoon Warning Signal No. 8 was hoisted, only 3 of the 14 typhoon shelters in Hong Kong (namely Rambler Channel, To Kwa Wan and Tuen Mun Typhoon Shelters) had utilization rates of 100%. There were still sheltered spaces available for use in the remaining 11 typhoon shelters, including Kwun Tong Typhoon Shelter and New Yau Ma Tei Typhoon Shelter which can accommodate vessels up to 50 m long in Victoria Harbour.

For work boats carrying out marine works, the contractor is required to apply in writing to MD for the relevant marine works to facilitate MD's promulgation of the relevant Marine Department Notice. When making the application, the contractor is also required to submit the evacuation plan and/or contingency plan for the evacuation of work boats from the works area in case of typhoon, inclement weather or other special circumstances. In general, when Typhoon Warning Signal No. 3 is hoisted by the Hong Kong Observatory, the work boats will have to evacuate from the works area and go to a typhoon shelter or sheltered anchorage for berthing in accordance with the submitted typhoon evacuation plan. Taking into account the overall utilization of typhoon shelters in Hong Kong, MD considers that there is no current need to designate mooring areas in typhoon shelters for operating ferries and work boats.

- (5) As mentioned in part (1) above, in the new round of periodical assessment, MD will take into account whether there is room for expansion in individual typhoon shelters to meet the increasing demand.

In addition, to ensure that vessels are berthed in a safe and orderly manner and passage areas are unobstructed, MD carries out patrols from time to time in typhoon shelters. Joint operations are also conducted with the Hong Kong Police Force to monitor the relevant situation. If a vessel is found to have breached the marine legislation, MD will take follow-up actions as appropriate.

Furthermore, MD will continue to assist the Fire Services Department to organize thematic talks on fire prevention in typhoon shelters regularly for typhoon shelter users to remind them on the proper use and maintenance of electrical installations on vessels and to teach them the correct way to use a fire extinguisher etc. Fire drills will also be conducted during peak seasons of vessels berthing, including fishing moratorium and important festive periods, with a view to enhancing the fire safety awareness of vessels users. To prevent fire accidents, MD will broadcast messages about vessel fire protection, check whether vessels are equipped with sufficient fire-fighting equipment and distribute fire safety publicity leaflets to vessels users during patrols.

Preventing the epidemic from spreading via imported food products

13. **DR PRISCILLA LEUNG** (in Chinese): *President, last month, three members of a family were confirmed one after another to have contracted the Coronavirus Disease 2019 ("COVID-19") with N501Y mutant strain. Among the three environmental samples collected by the Centre for Health Protection of the Department of Health from the frozen compartment of a refrigerator at the patients' home, one sample collected from the packaging of frozen crocodile spare ribs imported from Thailand has been tested positive for the COVID-19 virus. The samples of the relevant products collected subsequently by the Centre for Food Safety ("CFS") of the Food and Environmental Hygiene Department from the storage points/warehouses and shops of the food trader concerned have been tested negative for the virus. CFS concluded that the sample in question was more likely to have been contaminated at the patients' home. However, some members of the public are still worried about contracting COVID-19 upon coming into contact with the packaging of imported food products. In this connection, will the Government inform this Council:*

- (1) *of the number of samples collected from imported food products and their packaging by CFS for COVID-19 virus tests since the outbreak of the COVID-19 epidemic and, among such samples, the number of those tested positive for the virus, with a breakdown by the type of food products from which the samples were collected;*

- (2) *apart from stepping up the testing of imported frozen food products and their packaging, what new measures the Government has put in place to prevent COVID-19 from spreading via imported food products; and*
- (3) *what new measures the Government has put in place to prevent those workers who need to come into contact with imported food products in their daily work from contracting COVID-19?*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, the Centre for Food Safety ("CFS") of the Food and Environmental Hygiene Department ("FEHD") has been collecting samples of different types of frozen foods and their packaging at the import level for precautionary COVID-19 testing since mid-2020. As at the end of June 2021, more than 12 000 relevant samples from over 50 food origins were tested. The samples included different types of meat (about 50%), aquatic products (over 40%) and other frozen foods such as fruits. The test results were all negative.

Regarding the case of a packaging sample of frozen crocodile spare ribs tested positive for the virus among the environmental samples collected at the residence of a confirmed COVID-19 patient by the Centre for Health Protection ("CHP") of the Department of Health on 15 June 2021, CFS immediately requested the vendor to suspend the sale of the products concerned and collected a total of 103 food and packaging samples of relevant crocodile products from the vendor's storage points/warehouses and retail outlets for testing. All samples were tested negative. In light of the test results available, CFS considered that the packaging sample of frozen crocodile spare ribs collected at the residence of the confirmed COVID-19 patient was more likely to be contaminated at the said residence. The vendor could therefore resume the sale of relevant products.

Considering the concerns of frozen food practitioners about the risk of contracting the COVID-19 virus, FEHD has been providing voluntary and free COVID-19 testing services for practitioners of licensed cold stores continuously since November 2020. As at the end of June 2021, the testing agency of the FEHD tested over 8 400 samples from cold store practitioners. The test results were all negative.

Meanwhile, in consultation with CHP of the Department of Health, CFS issued the "Health Advice for Frozen Food Handlers on the Prevention of COVID-19" to the food trade (including licensed cold stores and licensed food

premises etc.) in November 2020. The Health Advice was also disseminated to container terminal operators and the cold chain logistics sector to remind frozen food handlers of the potential risks of infection and the need to take relevant measures, including observing good personal hygiene practices, putting on personal protection equipment, and maintaining environmental hygiene and social distancing, etc. Furthermore, CFS discussed with licensed cold store operators on stepping up disinfection work of the outer packaging of imported frozen foods and the working environment of cold stores, and issued to them the "Prevention of COVID-19—Guidance on Disinfecting the Working Environment and the Food Package of Cold Stores at Import Level" in December 2020 to offer advice on relevant preventive measures, including the types of disinfectants and their usage, precautions for the use of chlorine-based disinfectants and personal protection measures, etc. CFS understands that the trade has actively followed the advice to put in place measures against the pandemic. CFS will continue to maintain close liaison with the trade to enhance the anti-epidemic work with regard to imported frozen foods.

In fact, the COVID-19 virus is predominantly transmitted through droplets. Based on the available scientific information, the World Health Organization also considers that it is unlikely for human to be infected with COVID-19 via food. With due attention paid to personal hygiene and proper personal protection measures, practitioners in frequent contact with frozen foods are believed to have a low risk of contracting the virus through contacting frozen foods in their daily work. Nonetheless, CFS will continue to take samples of frozen foods and their packaging imported from different origins for testing, keep in view the latest scientific data on the virus and closely monitor the risk of viral transmission via imported frozen foods for adjusting the testing strategy in a timely manner.

In addition, CFS will continue to remind the public to maintain good personal, food and environmental hygiene at all times, including washing hands before and after handling raw and cooked foods, cooking food thoroughly, separating raw meat and internal organs from cooked foods, etc. Food business operators and practitioners should always maintain high standards of hygiene and cleanliness by keeping their hands clean and frequently cleaning and disinfecting surfaces, especially food contact surfaces (e.g. tableware and insulated bags for takeaways) and high-touch points (e.g. door handlers and water taps) in food premises. CFS has also uploaded information and advice on COVID-19 and food safety to its dedicated website "Let's Beat COVID-19 Together" for browsing by the public and the food trade.

The latest developments in the international tax landscape

14. **MR HOLDEN CHOW** (in Chinese): *President, to address the risks of base erosion and profit shifting ("BEPS") arising from the digitalization of economy, the Organisation for Economic Co-operation and Development ("OECD") and the Group of Twenty ("G20") have, over the past few years, been discussing with various tax jurisdictions, and drawn up BEPS 2.0 proposals which include implementing a global minimum tax rate targeted mainly at large multinational enterprises. On the other hand, member nations of the Group of Seven ("G7") reached a consensus early last month on a proposal to set the global minimum tax rate at 15%. This proposal will be implemented upon endorsement by G20 and the 139 nations under the aegis of OECD. By then, Hong Kong, which has been implementing a low and simple tax regime, has to implement the BEPS 2.0 proposals according to international consensus. In respect of the latest developments in the international tax landscape, will the Government inform this Council:*

- (1) *whether it has assessed the impacts that will be brought by the implementation of the global minimum tax rate on Hong Kong's small and medium enterprises ("SMEs") whose annual profits are less than \$2 million (the profits tax rate applicable to such enterprises being lower than 15% at present); whether it has plans to offer at that time subsidies or other support to the affected SMEs;*
- (2) *given that the Government formed an Advisory Panel on BEPS 2.0 in June last year to review the possible impacts of the BEPS 2.0 proposals on the competitiveness of Hong Kong's business environment and to give advice to the Financial Secretary, of the latest work progress of the Advisory Panel (including its views on the aforesaid proposal by G7); and*
- (3) *given that the Government of the United Kingdom has reportedly been striving fervently for an exemption from the global minimum tax rate for London, and that the Government of Switzerland is planning to introduce tax concessions to cope with the BEPS 2.0 proposals, whether the Government has assessed if the implementation of the relevant exemption and tax concession measures is viable in Hong Kong; if it has, of the details?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, my consolidated reply to the various parts of the question raised by Mr Holden CHOW is as follows:

With a view to addressing the base erosion and profit shifting ("BEPS") risks arising from digitalization of economy, the Organisation for Economic Co-operation and Development ("OECD") announced on 1 July this year the framework for international tax reform (commonly referred to as "BEPS 2.0") to ensure a fairer distribution of taxing rights in respect of profits of large multinational enterprises ("MNEs") and to set a global minimum tax rate. A total of 132 jurisdictions globally (including Hong Kong as well as the United Kingdom and Switzerland as mentioned by Mr Holden CHOW) have indicated acceptance of the package. OECD aims at finalizing the technical details by October this year and implementing the package in 2023.

The global minimum tax applies only to large MNE groups with global turnover above 750 million euros, and exclusions are provided for Government entities, international organizations, non-profit organizations, eligible pension funds and investment funds, as well as international shipping income. If the jurisdictional effective tax rate of an MNE group is below the global minimum tax rate (which will be at least 15%), the jurisdictions where its parent or subsidiary companies are located will be allowed to charge top-up tax in respect of the shortfall according to the relevant rules. This would increase the tax and compliance burdens on the large MNE groups. Since the revenue of small and medium enterprises would normally not exceed the threshold of 750 million euros, these enterprises would not be affected by the global minimum tax.

To formulate response measures, the Government set up an Advisory Panel back in June 2020 to review the possible impact of the BEPS 2.0 package on the competitiveness of the business environment of Hong Kong, and to make recommendations to the Financial Secretary on how to facilitate the sustainable development of Hong Kong as an international financial and business centre in light of the changing international tax landscape. Taking into account the preliminary views of the Advisory Panel, the Financial Secretary presented in the 2021-2022 Budget in February this year the direction of the Government's response measures, indicating that Hong Kong would actively implement the BEPS 2.0 package according to international consensus while striving to maintain the key advantages of Hong Kong's tax regime in terms of simplicity, certainty

and fairness; minimize the compliance burden on the affected enterprises; and continue to improve the business environment and competitiveness of Hong Kong.

The Advisory Panel on BEPS 2.0 will submit a report to the Government as soon as possible after OECD finalizes the technical details of the BEPS 2.0 package. The Government will carefully study the recommendations in the report and consult stakeholders on the specific response measures, with a view to rolling out the relevant legislative exercise.

Tax-exempt charities

15. **MR CHAN HAK-KAN** (in Chinese): *President, under section 88 of the Inland Revenue Ordinance (Cap. 112), if a charitable institution or charitable trust of a public character fulfills certain requirements (including that the profits derived from the trade or business carried on by it are applied solely for charitable purposes, and such profits are not expended substantially outside Hong Kong), it may be exempt from profits tax ("tax-exempt charity"). It has been reported that a tax-exempt charity made, through a trust that is not a tax-exempt charity, large donations to a number of overseas organizations in early 2019. In this connection, will the Government inform this Council:*

- (1) *of the respective current numbers of charitable institutions and charitable trusts which are tax-exempt charities;*
- (2) *of the following information in each of the past three years and since January this year:*
 - (a) *the respective numbers of applications made by (i) charitable institutions and (ii) charitable trusts for being recognized as having tax exemption status that were received, approved and rejected by the Inland Revenue Department ("IRD");*
 - (b) *the respective numbers of tax-exempt charities whose tax exemption status was (i) reviewed and (ii) withdrawn by IRD (with a breakdown by reason for withdrawal); and*

- (c) *the number of reported cases similar to the aforesaid case that were received, and the number of such cases in respect of which follow-up actions were taken, by IRD; the respective shortest, longest and average processing time for the concluded cases; and*
- (3) *whether it will step up efforts to check tax-exempt charities to deter tax-exempt charities from using tax-exempt profits (including charitable donations) for non-charitable purposes (such as transferring them for personal gains); if so, of the details; if not, the reasons for that?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President,

- (1) As at 30 June 2021, the respective numbers of charitable institutions and charitable trusts recognized by the Inland Revenue Department ("IRD") as tax-exempt under section 88 of the Inland Revenue Ordinance ("IRO") are as follows:

Tax-exempt charitable institutions	9 033
Tax-exempt charitable trusts	493
Total	9 526

- (2) (a) In the past three years and since January this year, the numbers of applications received by IRD for recognition of tax exemption status under section 88 of IRO are as follows:

<i>Year</i>	<i>Number of applications received⁽¹⁾</i>
2018	576
2019	546
2020	589
2021 (up to 30 June)	316

Note:

- (1) IRD cannot provide the respective numbers of applications concerning charitable institutions and charitable trusts as IRD does not keep statistics on the structures of the applicants before recognition of their tax exemption status.

In the past three years and since January this year, the numbers of charitable institutions and charitable trusts recognized by IRD as tax-exempt under section 88 of IRO are as follows:

<i>Year</i>	<i>Number of charities recognized as tax-exempt</i>		
	<i>Charitable institutions</i>	<i>Charitable trusts</i>	<i>Total</i>
2018	287	9	296
2019	287	7	294
2020	419	6	425
2021 (up to 30 June)	224	6	230

IRD does not keep statistics on the number of rejected applications.

- (b) In the past three years and since January this year, the numbers of reviews on the tax exemption status of charities conducted by IRD are as follows:

<i>Year</i>	<i>Number of reviews on tax exemption status of charities⁽²⁾</i>
2018	3 175
2019	2 960
2020	2 101
2021 (up to 30 June)	1 705

Note:

- (2) It refers to the number of review questionnaires issued in the year concerned.

In the past three years and since January this year, the numbers of charities with recognition of tax exemption status withdrawn by IRD and the reasons for withdrawals are as follows:

Year	Number of charities with recognition of tax exemption status withdrawn	Reasons for charities with recognition of tax exemption status withdrawn			
		(i) Dissolved or wound up	(ii) Ceased operation or became dormant	(iii) No response to IRD's enquiries or untraceable	(iv) No longer qualified for the status of a charitable institution or trust of a public character
2018	192	71	26	93	2
2019	265	107	19	136	3
2020	247	113	20	114	0
2021 (up to 30 June)	117	55	6	55	1

- (c) The numbers of complaints received involving charities with follow-up actions taken by IRD since 2018 are as follows:

Year	Number of complaints received with follow-up actions taken by IRD (Counted in terms of the number of charities)
2018	33
2019	30
2020	23
2021 (up to 30 June)	11

IRD does not keep statistics on the complaints in terms of their nature, including the processing time required. Nonetheless, IRD follows up on each complaint diligently. The lead time required for handling a complaint case varies depending on the timeliness of the response and the completeness of information and documents furnished by the charity as well as whether there is a need for IRD to seek clarification and/or obtain additional information from the charity, etc.

- (3) IRD is responsible for the administration of IRO. Assessment and collection of taxes are its primary duties. In so far as charities are concerned, the statutory powers of IRD are confined to processing applications for recognition of tax exemption under section 88 of IRO, and ensuring that the recognized charities comply with the tax exemption conditions as stipulated under section 88 of IRO, including the compatibility of their activities with their charitable objects.

IRD has all along been taking appropriate measures to ensure that the charities concerned comply with the tax exemption conditions as stipulated under section 88 of IRO. Generally speaking, IRD conducts the first review on newly recognized tax-exempt charities two years after their recognition. For existing tax-exempt charities, the review is conducted at least once every three years. Should available information indicate that a charity has carried out suspected non-charitable activities, IRD will take actions on the case concerned after considering the relevant facts and circumstances e.g. advancing the review on the tax-exempt charity concerned and withdrawing the recognition of its tax exemption status if it is ascertained that the charity is no longer eligible for tax exemption.

Title for the topmost leader of the Taiwan region

16. **MR LUK CHUNG-HUNG** (in Chinese): *President, according to the Charter of Radio Television Hong Kong ("the Charter"), Radio Television Hong Kong ("RTHK") is to "promote understanding of our community, our nation and the world through accurate and impartial news, information, perspectives and analyses". Under the "One-China" principle, Taiwan is an inalienable part of Chinese territory. However, RTHK's news reports have referred to the topmost leader of the Taiwan region as "President", which is the title of the head of state of most countries in the world. In this connection, will the Government inform this Council whether it has assessed if the aforesaid reporting practice of RTHK has (i) breached the "One-China" principle, (ii) caused public misunderstanding that the topmost leader of the Taiwan region is the head of state, and (iii) deviated from the aforesaid requirement of the Charter; if it has assessed and the outcome is in the affirmative, whether it will request RTHK to immediately stop referring to the topmost leader of the Taiwan region as "President" in its news reports; if it has not assessed, whether it will make such an assessment?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, in consultation with the Constitutional and Mainland Affairs Bureau, our reply to the Member's question is as follows:

Hong Kong and Taiwan are part of one China. The Government of the Hong Kong Special Administrative Region ("HKSAR") has all along handled Taiwan-related matters in accordance with the Basic Law of the HKSAR of the People's Republic of China, the one-China principle as well as the Basic Principles and Policies of the Central Government regarding the Handling of Taiwan-related Matters in Hong Kong (i.e. Qian's Seven Principles).

The Charter of Radio Television Hong Kong ("the Charter") clearly specifies the public purposes and mission of the Radio Television Hong Kong ("RTHK"), which include providing accurate and impartial news, information, perspectives and analyses; promoting understanding of the concept of "one country, two systems"; and engendering a sense of citizenship and national identity through programmes that contribute to the understanding of our community and the nation. RTHK will continue to abide by the Charter, duly meet its obligations as a public service broadcaster, and uphold the highest professional standards of journalism. The RTHK's News and Current Affairs Section will continue to strictly observe the relevant principles in the use of terminology.

Private Recreational Leases

17. **MR TONY TSE** (in Chinese): *President, in February 2019, the Government published the public consultation outcome on the review of the policy on Private Recreational Leases ("PRLs"), and indicated that it would handle those PRLs which had expired or would soon expire according to the recommendations of the policy review. Some members of the public have relayed that some sports clubs holding PRLs are suspected of subletting their facilities to commercial organizations for making profits, or operating in a way that has deviated from the original purposes for which they were granted the sites. In this connection, will the Government inform this Council:*

- (1) *of the latest progress of the Government's efforts in implementing the recommendations of the policy review (including whether such recommendations have been implemented as scheduled), and whether it has reviewed the effectiveness of the related measures;*

- (2) *given that the lessees of PRLs granted before 2011 are not required to comply with the requirement of opening up facilities for use by eligible outside bodies, of the measures in place to encourage such lessees to increase the extent of opening up their facilities;*
- (3) *of the number of complaints about lessees breaching PRLs (including breaching the requirement of opening up facilities) received by the Government in the past three years, as well as the number of cases found to be substantiated and the penalties imposed on the lessees (if any); the measures in place to ensure that lessees' operations will not deviate from the original purposes for which they were granted the sites;*
- (4) *of the details of the proactive inspections conducted in the past three years by government departments on whether the lessees had breached PRLs, and the outcome of such inspections;*
- (5) *in respect of those lessees who have seriously and repeatedly breached their PRLs, whether the Government will consider terminating their PRLs prematurely and resuming the sites concerned; and*
- (6) *given that the Filipino Club was granted in 2011 by the Government the renewal of the PRL of a site located in the prime location of Jordan to until 2026, but it has been reported that the lessee is no longer living up to its name as it has long been dominated by Hong Kong people, and that the lessee has allegedly sublet the facilities of the site to other people for operating restaurants in breach of the PRL, of the outcome of the investigation conducted and follow-up actions taken by the Lands Department on the relevant complaints (including whether penalties have been imposed)?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President, in view of the community's concerns over sites of Private Recreational Leases ("PRLs"), the Government completed a review on the policy on PRLs earlier and published the outcome of public consultation in February 2019. Submissions received during public consultation are, in general, supportive to the following recommendations of the policy review:

- (a) handling the leases held by "community organizations" and "private sports clubs" differently and granting new special purpose leases (instead of PRLs) to sports and recreational sites held by "community organizations";
- (b) continuing to handle the sites held by private sports clubs under the PRL policy with the lease conditions significantly modified to better meet the dual needs of supporting sports development and optimizing land use;
- (c) taking into account the contribution of private sports clubs in promoting sports development in Hong Kong when considering renewal of their leases upon expiry;
- (d) charging private sports clubs suitable for lease renewal one third of the full market value land premium;
- (e) requiring private sports clubs to open up 30% of the total sports capacity of their sports and recreational facilities to eligible outside bodies and partner with sports organizations to organize sports programmes that are open for enrolment by individual members of the public with a minimum sports programme hours of 240 per month;
- (f) drawing up a list of allowable sports supporting facilities and ancillary facilities for PRLs;
- (g) enhancing the monitoring of PRLs and corporate governance of the lessees; and
- (h) defining the principles in approving applications for new sites for sports and recreational use.

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

- (1) The Government is handling the leases which have expired or will soon expire in accordance with the recommendations mentioned in items (a) to (c) and items (e) to (h) in the first paragraph above i.e. introducing the relevant clauses in new leases to require private

sports clubs to further open up their sports and recreational facilities and to enhance the monitoring of PRL sites and corporate governance of the lessees, etc. As for the charging of concessionary premium mentioned in item (d) above, it will be implemented from 2026-2027 onwards.

- (2) In general, sites granted before 2011 are required to open up its sports and recreational facilities to eligible outside bodies for a maximum of three sessions per week, with each session lasting for three hours. Subsequently, in view of the modification of the PRL policy as approved by the Executive Council in 2011, lessees of these sites voluntarily adjusted the opening-up hours of their sports and recreational facilities to eligible outside bodies to a minimum of 50 hours per month.

For those private sports clubs with voluntary opening-up schemes, most of their leases will expire between 2021 and 2024. The Government will renew these leases up to 30 June 2027 and include relevant clauses in the renewed leases requiring the relevant lessees to comply with the requirement of further opening up their facilities, including opening up at least 30% of the total capacity of their sports facilities to eligible outside bodies and partnering with sports organizations to organize sports programmes that are open for enrolment by individual members of the public with a minimum sports programme hours of 240 per month.

Like other sites held by private sports clubs, the Home Affairs Bureau ("HAB") will examine the contribution rendered by each of the private sports club towards sports development (including their extent of opening up of sports facilities during the current lease period) over a reasonable period before lease expiry in 2027 and ascertain whether there are sufficient justifications for further lease renewal.

- (3) and (4)

Private sports clubs are required to operate according to the lease requirements. To ensure that the sites concerned are used in accordance with the PRL policy and in compliance with clauses on

land use, operation, service delivery and opening-up requirements in the leases, HAB will conduct annual inspections and verify the information submitted by the lessees in their quarterly reports. The Bureau will also conduct surprise checks against suspected non-compliant cases where necessary for monitoring purpose.

In addition, Lands Department ("LandsD") carries out inspections of the concerned sites upon receipt of complaints or referrals related to breaches of lease conditions by the PRL lessees and when processing lease renewal applications. In the past three years (2018 to 2020), LandsD carried out site inspections in respect of eight complaints and referrals related to suspected breaches of lease conditions for PRLs. After investigation, no breach of lease conditions was found for one case, while breach of lease conditions was substantiated for seven cases. LandsD has taken lease enforcement actions against these seven cases. The breaches in two cases have subsequently been purged by the concerned lessees. For the remaining five cases, the concerned lessees are taking actions to rectify the identified breaches. LandsD will continue to follow up on the cases.

- (5) As regards to the suspected breaches of lease conditions, the Government will take appropriate lease enforcement actions (including issuing warning letters in the capacity of Government land agent and making registration of the sites concerned at the Land Registry) in light of the circumstances. If the lessees ignore the warning letters or make repeated breaches of lease conditions, the LandsD will, in consultation with HAB, take appropriate lease enforcement actions in light of the circumstances (including resumption of the sites concerned).
- (6) The major sports facility at the Filipino Club ("the Club") is the lawn bowl greens. The Club provides facilities for holding lawn bowls competitions at different levels.

Upon receipt of the complaint against a suspected lease breach of the Club, LandsD conducted several site inspections and requested the Club to provide information relating to their operations. Having consulted the relevant Policy Bureau and considered the information

in hand and the legal advice received back then, it was considered that there was no evidence to substantiate that the Club had breached the covenant under lease against underletting. However, regarding the Club's mode of operation of the catering service, LandsD issued a warning letter to the Club and required its rectification in 2019. When LandsD carried out inspection in April 2020, it was revealed that the catering outlet of the Club had ceased operation. However, during the inspection this month, LandsD discovered that the catering service of the Club was resumed. LandsD, in collaboration with the relevant bureau, are closely monitoring its mode of operation and will take appropriate actions when necessary.

"iAM Smart" mobile application

18. **IR DR LO WAI-KWOK** (in Chinese): *President, in December last year, the Government launched "iAM Smart", which is a one-stop personalized digital services platform. Members of the public can use various online services after logging in, with a single digital identity, to the iAM Smart mobile application on their mobile phones. However, quite a number of them have relayed that the registration procedure of the application is cumbersome, and that most of the functions provided by the application do no more than connecting to the websites of the relevant Government departments. It has been reported that the number of downloads registered by the application in the first six months after its launch represents just 6% of the Hong Kong population. In this connection, will the Government inform this Council:*

- (1) *whether it will allocate additional resources for consolidating and enhancing the various online services provided through iAM Smart, thereby achieving the objective of bringing genuine convenience to members of the public; if so, of the details; if not, the reasons for that;*
- (2) *whether it will study the establishment of an electronic payment channel in which the authentication of identity can be made through iAM Smart, so as to facilitate the speedy disbursements of various types of cash allowances and consumption vouchers to members of the public; if so, of the details; if not, the reasons for that; and*

- (3) *whether it will discuss with the Governments of the Guangdong Province and Macao allowing those Hong Kong people who are receiving education, working and living in the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area to carry out operations such as authentication of identity and digital signing through iAM Smart when using online services; if so, of the details; if not, the reasons for that?*

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Chinese): President, "iAM Smart" was officially launched on 29 December 2020, with over 600 000 registrants as of early July 2021. This represents a participation rate of about 8.7% based on eligible population, which is better than the half-year participation rates after the launch of similar initiatives in other countries, such as Belgium (2.6%), Estonia (3.6%) and Singapore (4%). In order to raise the confidence of both users and online service providers in using "iAM Smart" for online identity authentication, we adopted a relatively stringent registration procedure, which requires the user to authenticate his/her Hong Kong Identity Card from different angles and to verify his/her identity by undertaking specific actions. The user is only required to register once to confirm his/her identity, then he/she can access different online services securely through "iAM Smart" subsequently.

Regarding the different parts of Ir Dr LO's question, our reply in consultation with the Financial Services and the Treasury Bureau is as follows:

- (1) The Office of the Government Chief Information Officer ("OGCIO") has been actively promoting and arranging "iAM Smart" adoption by government online services. OGCIO also provides resources for government bureaux and departments ("B/Ds") to improve and enhance their systems to support "iAM Smart" through the Capital Works Reserve Fund Head 710—Computerisation block allocation subhead. As of early July 2021, there are over 110 commonly used online services of the Government as well as public and private organizations adopting "iAM Smart". Upon the adoption of "iAM Smart" by those government online services having completed their major system upgrades, we expect that by end 2023, the public will be able to access over 180 government online services through the "iAM Smart" platform.

OGCIO will continue to promote the adoption of user authentication and digital signing function of "iAM Smart" by B/Ds, so as to bring greater convenience to the public with the development of more digital government services and streamlined business processes, which include allowing the public to complete the required procedures online without having to visit respective offices in person. As of now, users of "iAM Smart+" with digital signing function can digitally sign and submit online applications for renewal of vehicle licence.

- (2) When the Government launched the Cash Payout Scheme ("CPS") last year, we have, through the Personal Information Collection Statement ("PICS") on the registration form, sought the applicant's consent to authorize the Government to reuse the personal data provided when launching similar schemes in future which are aimed at encouraging local consumption, relieving people's financial burden, and/or returning wealth to the people. The Government has also developed a registration database to maintain and facilitate the use of such data for similar schemes in the future. The Consumption Voucher Scheme ("CVS"), which is now open for registration, allows people to authenticate their identity using the "iAM Smart" mobile app. If a person has successfully registered and received payment/collected the cheque under CPS, he/she does not need to fill in the personal data already provided again, and can update the data if necessary. After the registrant has acknowledged the arrangements mentioned under PICS of CVS, his/her data will be kept in the registration database for reuse by the Government for other similar schemes in future if necessary.
- (3) OGCIO is exploring with relevant authorities in the Mainland and Macao on the collaboration opportunities between their identity authentication systems and "iAM Smart", such as making use of the mutual recognition of electronic signature certificates to promote cross-boundary e-commerce applications, facilitating Hong Kong citizens to use "iAM Smart" to log in different online services, conduct online transactions, and perform digital signing with legal backing, etc., in different places (including in the Greater Bay Area). We will announce further details on the associated measures in due course.

Vetting and approval of applications for registration of pharmaceutical products

19. **MR SHIU KA-FAI** (in Chinese): *President, under the Pharmacy and Poisons Ordinance (Cap. 138) and the relevant regulations, pharmaceutical products must meet the standards of safety, efficacy and quality and be registered with the Pharmacy and Poisons Board ("the Board") before they may be sold or distributed in Hong Kong. The Board currently adopts a "secondary review" approach in vetting and approval of applications for registration of pharmaceutical products containing new chemicals or biological entities (collectively referred to as "new drugs"). Applicants are required to submit to the Board documentary proofs of registration of the new drugs and certificates of free sale issued by the drug regulatory authorities of at least two recognized countries (consisting of a total of 32 countries including Australia, Canada, European Union ("EU") member states, Japan, Switzerland and the United States ("US")), as well as other relevant documents. In this connection, will the Government inform this Council:*

- (1) *of the respective justifications for the Board to adopt the secondary review approach in vetting and approval of applications for new drug registration and to specify the aforesaid 32 countries as recognized countries; whether it has reviewed if such arrangements are in line with the present circumstances; if so, of the details; if not, the reasons for that;*
- (2) *whether the secondary review approach is applicable to applications for registration of drugs containing only new combinations, dosage strengths or forms of registered pharmaceutical ingredients;*
- (3) *whether the Board will consider accepting, apart from the documentary proofs issued by the drug regulatory authorities of the 32 recognized countries, certificates of assessment issued by the drug regulatory authorities/qualified scientific research institutes or universities in Hong Kong and on the Mainland; if so, of the details; if not, the reasons for that;*

- (4) *whether the existing legislation on new drug registration requires that the registration of a new drug will be approved only if the manufacturer of the new drug owns the relevant drug patents; if so, of the reasons for that; if not, whether the ownership or non-ownership of the relevant drug patent by the manufacturer of a new drug has any impact on the registration of the new drug; if so, of the details; and*
- (5) *as some members of the pharmaceutical trade have relayed that EU and countries such as US and Japan have long implemented a "drug marketing authorization holder" system (and so has China since the middle of last year) to separately process applications for marketing authorization and manufacturing authorization for drugs, so that research and development institutions and natural persons who do not have the corresponding production qualification will be able to produce drugs and obtain drug marketing authorization through the approach of cooperation or entrustment, so as to encourage them to actively conduct researches and develop drugs, whether the Government will consider introducing a similar system; if so, of the details; if not, the reasons for that?*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, in Hong Kong, pharmaceutical product is mainly regulated by the Pharmacy and Poisons Ordinance (Cap. 138) and the Pharmacy and Poisons Regulations (Cap. 138A) ("the Regulations"). Pharmaceutical products must satisfy the criteria of safety, efficacy and quality for registration with the Pharmacy and Poisons Board ("the Board") before they can be sold or supplied in Hong Kong. The Board also sets out the requirements of supporting documents, reports and evidence for the registration of pharmaceutical products. The Drug Office of the Department of Health is responsible for providing technical and executive supports to the Board and its Committees.

After consulting the Department of Health, the reply to Mr SHIU Ka-fai's question is as follows:

(1) to (3)

According to the Guidance Notes on Registration of Pharmaceutical Products/Substances ("Guidance Notes")⁽¹⁾ as promulgated by the Board, applicant of registration of pharmaceutical products is required to submit sufficient information in accordance with the Guidance Notes to substantiate the safety, efficacy and quality of the pharmaceutical product, including complete master formula, specification, certificate of analysis and method of analysis, manufacturer licence, certificate showing the manufacturer's compliance to Pharmaceutical Inspection Co-operation Scheme ("PIC/S") Good Manufacturing Practice ("GMP") (i.e. PIC/S GMP certificate), free sale certificate issued by the drug regulatory authority of the country of origin, sale package, related scientific documentation or references, and stability test data.

As pharmaceutical product containing new chemical or biological entities ("NCEs", i.e. contain active ingredients which have not been registered in Hong Kong) generally has not been used widely, applicant of registration of such product is required to provide additional documents as stated in the Guidance Notes, that include the expert evaluation report on the safety, efficacy and quality of NCEs, and documentary proof of registration of the pharmaceutical products issued by at least two drug regulatory authorities of recognized countries⁽²⁾ (e.g. free sale certificate) (the above approval system is also referred to as "secondary evaluation"), in order to provide supporting evidence that the product has been rigorously evaluated before placing in market.

- (1) Please see the full text of the Guidance Notes at: <https://www.drugoffice.gov.hk/eps/do/en/doc/guidelines_forms/guid.pdf?v=1gx6ql>.
- (2) There are 32 recognized countries, including Australia, Canada, Members States of the European Union, United Kingdom, Japan, Switzerland and the United States. The drug regulatory authorities of the said countries are members of the Stringent Regulatory Authority ("SRA") as designated by the World Health Organization ("WHO"), and are also members of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use ("ICH") that have implemented all relevant ICH guidance.

The "secondary evaluation" approach adopted in Hong Kong for approving pharmaceutical products is mainly used to process applications for registration of pharmaceutical products containing NCEs. It relies on approvals from competent drug regulatory agencies or authorities of recognized countries which have conducted primary evaluation⁽³⁾. The drug regulatory agencies or authorities of recognized countries have fully complied with the technical standards and requirements promulgated by ICH⁽⁴⁾.

The Board reviews the drug regulatory mechanism and registration requirements from time to time while upholding the principle of ensuring the relevant standards of safety, efficacy and quality of pharmaceutical products. For example, having considered the special circumstances (e.g. a medicine is registered in only one recognized country due to differences in regional epidemiology or due to public health emergency) in December 2017 and July 2020, the Board amended the relevant registration requirement that, in the case there is no evidence of registration approval in two or more recognized countries, but:

- (i) there is a local unmet medical need of the product for public health emergency, communicable diseases or matters of public health importance, including in the areas of tuberculosis, emerging and/ or re-emerging infectious diseases (e.g. avian influenza, chicken pox, Ebola, COVID-19, etc.), or antimicrobial resistance; and
- (3) Primary evaluation is generally conducted by highly developed and large scale drug regulatory authorities (e.g. SRAs as designated by WHO). It involves the assessment of primary data and information of all pre-clinical studies (i.e. animal testing), clinical studies, manufacturing and quality control in order to fully evaluate the safety, efficacy and quality of a medicine. By taking reference to the primary evaluation conducted in other countries, it requires multidisciplinary assessment including the professional assessment and evaluation from chemistry, microbiology, toxicology, pathology, statistics and different clinical specialities, which involves a vast amount of human and hardware resources (e.g. independent and accredited laboratories).
 - (4) ICH plays a unique role in bringing together the regulatory authorities and pharmaceutical industry to discuss scientific and technical aspects of drug registration. ICH regulators are required to implement the final Guidelines to ensure that the medicines that were developed and registered are safe, effective and of high quality.

- (ii) the product for the public health emergency, communicable diseases or matters of public health importance is promulgated by international health agencies, including WHO, World Organisation for Animal Health, etc.;

then the application together with submitted supporting justification, document and expert report may also be accepted by the Board for evaluation and approval on a case by case basis.

(4) and (5)

The Regulations have already been amended in 2015 to stipulate that if the pharmaceutical product is manufactured in Hong Kong, the person responsible for obtaining registration of the product must be the licensed manufacturer of the pharmaceutical product, or the licensed wholesale dealer contracting with the licensed manufacturer. If the pharmaceutical product is manufactured outside Hong Kong, the person responsible for obtaining registration must be the licensed wholesale dealer who imported the pharmaceutical product, or the Hong Kong branch, subsidiary, representative, agent or distributor of the overseas manufacturer of the pharmaceutical product. Therefore, the current Regulations do not mandate the applicant of registration to be the manufacturer of pharmaceutical product.

The drug registration system in Hong Kong is established for the protection of public health and the drug registration system does not deprive patent owners of any protection under Patents Ordinance (Cap. 514). As there is already a well-established patent protection system in Hong Kong, the drug registration system focuses on the safety, efficacy and quality aspects of drugs. The Board therefore does not take into consideration the factor of patent right when deciding on an application for registration of a pharmaceutical product. Nevertheless, as advised in the Guidance Notes, applicant of registration should not overlook the issue of infringement of patent rights. To ensure that a pharmaceutical product would not infringe any patent right, the applicant is advised to refer to the Patent Ordinance and consult its lawyer if there is any doubts on the issue.

Statistics on persons on remand pending trial

20. **DR PIERRE CHAN** (in Chinese): *President, it was mentioned in the 2020 Annual Review of the Correctional Services Department released earlier on that the average daily number of persons on remand pending trial last year had hit a decade high. In this connection, will the Government inform this Council:*

- (1) *of the number of persons on remand pending trial in each of the past three years;*
- (2) *of the average and maximum durations for which defendants were on remand pending trial in each of the past three years; if such figures are unavailable, whether it will compile the statistics;*
- (3) *of a breakdown of the number of persons on remand pending trial in each of the past three years by (a) the type of charges laid and (b) the group, among those set out below, to which the remand duration belonged (set out in a table):*
 - (i) *less than 1 month,*
 - (ii) *1 month to less than 3 months,*
 - (iii) *3 months to less than 6 months,*
 - (iv) *6 months to less than 12 months,*
 - (v) *1 year to less than 2 years,*
 - (vi) *2 years to less than 3 years, and*
 - (vii) *3 years or more; and*
- (4) *of the reasons for defendants being remanded pending trial for more than one year (if any)?*

SECRETARY FOR SECURITY (in Chinese): President, the Correctional Services Department ("CSD") is responsible for, inter alia, the operation of correctional institutions for the custody of offenders sentenced to imprisonment by the court and persons ordered by the court to be held on remand pending trial. The number of admissions of newly admitted persons on remand in the past three years is tabulated as follows:

<i>Year</i>	<i>Number of admissions</i>
2018	6 928
2019	5 391
2020	5 373

CSD does not maintain statistics by the length of time on remand, on the average and maximum length of time on remand, and by the type of offence charged as well as the reasons thereon. As the relevant breakdown of figures are not directly relevant to the management of the operations of correctional institutions, CSD has no plan to compile additional statistics on such breakdown of figures.

The fifth generation mobile communications services

21. **MR CHAN HAK-KAN** (in Chinese): *President, regarding the fifth generation ("5G") mobile communications services, will the Government inform this Council:*

- (1) *whether it knows the current coverage of 5G mobile networks and average network speed, with a breakdown by District Council district, MTR station and village on the List of Recognized Villages;*
- (2) *of the respective up-to-date numbers of applications for the use of 5G radio base stations ("RBSs") received and approved; in respect of the approved applications, the number and percentage of those involving government premises, and the average processing time for each application;*
- (3) *of the respective up-to-date numbers of applications received and approved under the "Subsidy Scheme for Encouraging Early Deployment of 5G"; the average (i) amount of subsidy granted and (ii) processing time, for each approved application;*

- (4) *as the Government indicated in November last year that it was proactively discussing with two satellite operators the relocation of their satellite earth stations in Tai Po to enable mobile network operators ("MNOs") to make extensive use of all 5G frequency bands (including the 3.5 GHz band) in Hong Kong for provision of services, of the progress of the relocation plan; when the relocation plan is expected to be completed, and whether it has formulated a contingency plan to cater for the situation that the relocation plan has been delayed; if so, of the details; if not, the reasons for that;*
- (5) *as the Government has indicated that before the completion of the relocation plan mentioned in (4), the various MNOs may take the following transitional measures: (i) making use of other 5G frequency bands (e.g. 4.9 GHz band) or (ii) re-farming existing spectrum (e.g. 2.1 GHz band) to provide 5G services in the 3.5 GHz band restriction zone in Tai Po, whether the Government knows what transitional measures that the various MNOs have taken;*
- (6) *as the Government indicated in November last year that it would streamline the procedure for vetting and approval of applications for installation of RBSs on the exterior walls or in the indoor areas of government buildings, of the progress of the relevant arrangements; whether it has compared the number of applications received and the efficiency of processing applications after streamlining the vetting and approval procedure with those before; whether it has plans to introduce measures to further facilitate MNOs in installing RBSs in government buildings; if so, of the details; if not, the reasons for that; and*
- (7) *given that in order to enable the co-existence of Satellite Master Antenna Television ("SMATV") systems with 5G systems, the Government has earlier on launched a one-year "Subsidy Scheme for Supporting Upgrading Satellite Master Antenna Television Systems" to offer subsidies to some 1 600 eligible SMATV systems in Hong Kong for implementing technical upgrades, so that the public can continue to enjoy high-quality satellite television services, of the number of applications received by the Government, and the progress of processing such applications; whether it has assessed if those SMATV systems which has not implemented technical*

upgrades will interfere with the reception of 5G systems; if it has assessed and the outcome is in the affirmative, whether there are corresponding measures; if there are no corresponding measures, of the reasons for that?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, with characteristics of high speed, high capacity, reliability, massive connectivity and low latency communications, 5G technology opens up vast potential for various innovative commercial services and smart city applications. The Government promotes 5G development on various fronts, including spectrum supply, radio base stations ("RBSs") installations and encouraging deployment, etc. In Hong Kong, mobile network operators ("MNOs") have since the second quarter of 2020 launched their commercial 5G services, with very satisfactory progress.

My reply to the different parts of the question raised by the Member is as follows:

- (1) As at May 2021, 5G coverage reached over 90% of the population in Hong Kong, covering major shopping centres and all stations along main Mass Transit Railway lines. The coverage of 5G networks in some core business districts or areas with high pedestrian flow even topped 99%. According to a report issued by the survey organization Opensignal in June 2021, the maximum and average download speeds of 5G networks in Hong Kong recorded 347.5 Mbps and 134.8 Mbps respectively.
- (2) As at 30 June 2021, the Office of the Communications Authority ("OFCA") received a total of 7 821 applications for the use of 5G RBSs, of which 7 167 were approved (including 493 applications involving government premises). An average of around 470 applications were processed every month.
- (3) Since the launch of the Subsidy Scheme for Encouraging Early Deployment of 5G in May 2020, OFCA has received a total of 415 applications and approved 103 of them. The average amount of subsidy granted to an approved project was about \$440,000, and the processing time was about eight weeks on average.

(4) and (5)

To thoroughly resolve the problem of the "3.5 GHz restriction zone" in Tai Po, the Government has proactively discussed with the two satellite operators of the relocation of their existing satellite earth stations (using the 3.5 GHz band for telemetry, tracking and control of satellites in orbit) from Tai Po to Chung Hom Kok Teleport. The Lands Department has already granted a land lot to one of the operators. The other operator's discussion with relevant government departments on details of the land grant is in good progress.

As the relocation of satellite earth stations involves complex engineering works and technical issues (including site formation, construction of stations and setup of new satellite antennae), as well as the need to ensure that the normal operation of satellites in orbit will not be affected in the process, the relocation process is expected to be completed by end 2024.

The "3.5 GHz restriction zone" only affects 5G RBSs operating in the 3.5 GHz band. MNOs are using 5G spectrum in other frequency bands (e.g. 4.9 GHz band) or re-farming their existing 2G/3G/4G spectrum in different frequency bands (e.g. 2.1 GHz band) to provide 5G services in the "3.5 GHz restriction zone".

- (6) In early 2021, OFCA and the Buildings Department introduced a streamlined approval procedure for applications for installation of telecommunications facilities like antennae and transceivers of 5G small cell sites on the external walls of buildings. No applications have been received so far. In addition, the Government plans to launch a user-friendly online platform in September 2021 to facilitate operators' self-registration for low-power indoor RBSs.

In March 2019, to facilitate the expansion of 5G networks, the Government launched a pilot scheme to open up about 1 000 suitable government premises for the installation of RBSs by operators with the support of the Leisure and Cultural Services Department, the Food and Environmental Hygiene Department and the Government

Property Agency. The Government would further adopt a "demand-led" model to open up more suitable government premises and public facilities for operators to install RBSs.

- (7) Launched by OFCA in November 2019, the Subsidy Scheme for Supporting Upgrading Satellite Master Antenna Television Systems was completed in November 2020. A total of 1 048 applications were received, of which 1 039 were approved. As Satellite Master Antenna Television systems are not capable of transmitting radio signals, the relevant system upgrades will not cause any interference to 5G systems.

Hong Kong's global competitiveness in innovation and technology

22. **MRS REGINA IP** (in Chinese): *President, regarding Hong Kong's global competitiveness in innovation and technology, will the Government inform this Council:*

- (1) *given that Hong Kong ranked fifth in the "World Digital Competitiveness Ranking" for 2020, and such a ranking was lower than that of Singapore which took the second place, and that Hong Kong ranked the seventh, 17th and 19th respectively in the three sub-factors of "Talent", "Scientific concentration" and "IT integration", and such rankings were far lower than those of Singapore (i.e. the first, 10th and third), whether the Government has reviewed the factors leading to Hong Kong's rankings being lower than those of Singapore;*
- (2) *given that Hong Kong ranked 11th in the "Global Innovation Index" for 2020, and such a ranking was lower than that of Singapore which took the eighth place, and that Hong Kong ranked 23rd, 24th and 54th respectively in the three pillars of "Human capital and research", "Business sophistication" and "Knowledge and technology outputs", and such rankings were far lower than those of Singapore (i.e. the eighth, sixth and 14th), whether the Government has reviewed the factors leading to Hong Kong's rankings being lower than those of Singapore; and*

- (3) *whether, targeting Hong Kong's weaknesses as reflected by the aforesaid rankings, it has formulated new measures to boost Hong Kong's global competitiveness in innovation and technology; if so, of the specific measures and the additional resources needed to be allocated; if not, the reasons for that?*

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Chinese):
President, my consolidated reply to various parts of the question is as follows:

Innovation and Technology ("I&T") is a key policy area of the current-term Government. Over the past four years, the Government has developed I&T along eight major areas and unprecedentedly committed over \$110 billion to supporting I&T development, with a view to fostering the diversification of economic development, improving citizens' quality of life and creating quality employment opportunities.

In recent years, Hong Kong has performed quite well in international rankings related to I&T. According to the rankings in 2020, Hong Kong rose from eighth to fifth in the "World Digital Competitiveness Ranking", and from 13th to 11th in the Global Innovation Index. Moreover, Hong Kong ranked third worldwide in the Digital Intelligence Index report jointly published by Mastercard and the Fletcher School of the Tufts University in the United States in 2020, and second in terms of Readiness in the World Talent Ranking 2020. These rankings demonstrate that Hong Kong has been striving ahead in the overall I&T development. That said, the foci, assessment criteria, calculation methods, etc., of different international rankings vary, and direct comparison between Hong Kong and other economies is hardly possible due to differences in modes of economic development, social reality, etc. It is therefore advisable to also refer to other relevant indicators when evaluating Hong Kong's recent work in I&T development. For instance, Hong Kong's gross domestic expenditures on research and development ("R&D") increased from around \$16.7 billion in 2014 to around \$26.3 billion in 2019. While there was no unicorn in 2014, Hong Kong is currently home to 11 unicorns. The number of start-ups rose from around 1 070 in 2014 to 3 360 in 2020, and that of employees in the I&T sector grew from around 35 500 to around 44 600 in the same period. Venture capital investment in Hong Kong also substantially increased from around HK\$1.2 billion in 2014 to around HK\$10 billion in 2020. These statistics show that Hong Kong's I&T ecosystem has become increasingly vibrant, and the I&T atmosphere has been consistently enhanced.

We are well aware that the competition between economies has become more fierce in view of rapid technological advancement. The Government will continue to take forward the I&T development in Hong Kong through developing infrastructure, supporting R&D, nurturing talents, fostering the popularization of information technology ("IT"), etc., to enhance Hong Kong's global competitiveness in the long run.

On infrastructure, the Government has been striving to develop I&T infrastructure. For example, the first batch of buildings of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop is expected to be completed in phases from 2024 onwards. In addition, we are pressing ahead with Phase 2 of the Science Park Expansion Programme and the Cyberport expansion project in order to provide technology enterprises and research institutes with more quality space and facilities for R&D.

On R&D, the first batch of 20 research centres in the InnoHK research clusters located in the Hong Kong Science Park has commenced operation progressively, and the remaining seven will commence operation later this year, which will further develop Hong Kong into a hub for global R&D collaboration. In addition, we have just injected \$9.5 billion into the Innovation and Technology Fund ("ITF"), and will continue to enhance the funding schemes under ITF as appropriate, quite a number of which support R&D and commercialization of R&D outcomes.

On talents, the Government implements the IT Innovation Lab in Secondary Schools and Knowing More About IT Programmes to subsidize local primary and secondary schools to organize extra-curricular activities related to IT, thereby cultivating students' interest in IT from a young age. The STEM Internship Scheme will also be regularized to subsidize local universities to arrange short-term internships for their STEM (science, technology, engineering and mathematics) undergraduates and postgraduates. After graduation, students may participate in the Research Talent Hub, which provides funding support for technology enterprises and research institutes to engage research talents. The newly launched Global STEM Professorship Scheme helps universities recruit internationally renowned I&T scholars and their teams to Hong Kong, thereby scaling new heights in I&T teaching and research activities of local universities.

On the popularization of IT, unless there are legal or operational constraints, all government forms and licence applications can be submitted electronically by mid-2022. The Hong Kong Monetary Authority is currently working with the Office of the Government Chief Information Officer to develop the business version of the "iAM Smart" digital authentication platform, which can be used to authenticate the identity of enterprises through an electronic channel. The Government has earlier allocated \$1.9 billion under the Anti-epidemic Fund to implement the Distance Business Programme, which supports enterprises to adopt IT solutions to continue their business and provide services during the epidemic and enhances their digital capabilities.

I&T development is a pivotal and long-term mission. With the support from the Central Government and the advantages under "one country, two systems", the Government will leverage the opportunities brought about by the National 14th Five Year Plan and the Greater Bay Area development, as well as better integrate Hong Kong into national development. Hong Kong will proactively participate in the domestic and international dual circulation in order to capitalize on our strengths via external circulation and domestic circulation in serving the country's needs, and develop Hong Kong into an international I&T hub. This will help further enhance Hong Kong's I&T position and influence on the global front.

GOVERNMENT BILLS

First Reading and Second Reading of Government Bills

First Reading of Government Bills

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

LEGAL PRACTITIONERS (AMENDMENT) BILL 2021

SALE OF GOODS (UNITED NATIONS CONVENTION) BILL

LANDLORD AND TENANT (CONSOLIDATION) (AMENDMENT) BILL 2021

TELECOMMUNICATIONS (AMENDMENT) BILL 2021**MANDATORY PROVIDENT FUND SCHEMES (AMENDMENT) BILL 2021****DANGEROUS GOODS (MISCELLANEOUS AMENDMENTS) BILL 2021**

CLERK (in Cantonese): Legal Practitioners (Amendment) Bill 2021

Sale of Goods (United Nations Convention) Bill

Landlord and Tenant (Consolidation) (Amendment) Bill 2021

Telecommunications (Amendment) Bill 2021

Mandatory Provident Fund Schemes (Amendment) Bill 2021

Dangerous Goods (Miscellaneous Amendments) Bill 2021.

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.

LEGAL PRACTITIONERS (AMENDMENT) BILL 2021

SECRETARY FOR JUSTICE (in Cantonese): President, I move that the Legal Practitioners (Amendment) Bill 2021 ("the Bill") be read the Second time.

According to section 31A(1) of the existing Legal Practitioners Ordinance ("LPO") (Cap. 159), only barristers are eligible to be appointed as Senior Counsel ("SC") provided that the substantive eligibility requirements under section 31A(2) of LPO, including sufficient ability, standing and knowledge of the law as considered by the Chief Justice of the Court of Final Appeal ("Chief Justice") and the requisite no-less-than-ten years' experience, are satisfied. In other words, legal officers who are not barristers, such as solicitors, are not eligible for

appointment as SC even if they take up the same amount of advocacy work as those who are barristers and satisfy the substantive eligibility requirements stipulated under section 31A(2) of LPO.

The Bill proposes to amend section 31A of LPO, so that a person not being a barrister who holds office as a legal officer, like legal officers who are barristers and barristers in private practice, is eligible to be appointed as SC. This proposal applies to officers as defined under section 2 of the Legal Officers Ordinance as well as those deemed to be legal officers under the relevant legislation, covering certain legal professionals in the Department of Justice ("DoJ") and designated government departments.

The legislative proposal has three key justifications: First, the proposal reflects the fact that there has always been no distinction between the duties of legal officers who are barristers and those who are not, and allows those who satisfy the substantive eligibility requirements but are not admitted as barristers to receive a fair recognition. Unlike private legal practitioners, all legal officers, regardless of whether they are admitted as a barrister in Hong Kong, shall have all the rights of barristers and solicitors duly admitted under the provisions of LPO. There is no practical distinction between the roles and duties of legal officers who are barristers and those who are solicitors. Non-barrister legal officers also have to take up advocacy work. We, therefore, consider that all legal officers should deserve the same treatment and rights, including that legal officers irrespective of whether they are barristers or not should be equally eligible for consideration to be appointed as SC upon satisfying the substantive eligibility requirements under section 31A(2) of LPO.

Second, the proposal aligns with the merit-based selection principle and is in the public interest. According to section 31A(1) of LPO, the Chief Justice may, after consultation with the Chairman of the Hong Kong Bar Association ("Bar Association") and the President of The Law Society of Hong Kong ("Law Society"), appoint as SC barristers who satisfy the eligibility requirements. The legislative proposal is conducive to the Chief Justice's exercise of discretion to appoint, based on ability and merits and in the interest of public, those suitable ones, including eligible barristers in private practice and legal officers, as SC.

Third, the proposal does not affect any rights of the legal practitioners in the private sector, including the opportunities for barristers in private practice to be appointed as SC, nor disturb the professional demarcation between the

barristers' and solicitors' branches as legal services providers. More importantly, the proposal does not alter the selection mechanism and criteria of appointment of SC.

DoJ consulted the Legislative Council Panel on Administration of Justice and Legal Services on the 21st of last month and the Panel supported the legislative proposal. We have also briefed the Chief Justice and the legal sector on the above legislative proposal. The Law Society and many legal bodies have expressed clear support to the proposal, whereas the Bar Association has expressed opposition to it. I have, on various occasions and by writing to the Bar Association thrice, responded to the concerns expressed by some people on the proposal.

I have noted that these concerns are based on incomprehensive understanding of this proposal. Therefore, I wish to particularly emphasize three points here: First, legal officers shoulder important functions, and have all along maintained the highest professional standards in discharging their duties. They have worked together with private legal practitioners in promoting the rule of law and judicial justice, performing their respective functions on an equal status. Therefore, all legal officers with outstanding performance in advocacy work should have equal opportunities to be given recognition by the judicial and legal sectors. This is in the public interest. As I have just pointed out, there is no distinction between solicitors and barristers when it comes to the duties of legal officers but barristers and non-barrister legal officers have all along been treated differently in their eligibility for appointment as SC. This proposal is intended to address this inequity.

Second, the proposal does not alter the selection mechanism and criteria of appointment of SC by the Chief Justice. The proposal, if implemented, will require non-barrister legal officers to satisfy the same series of substantive eligibility requirements as that for barristers in private practice and legal officers who are barristers, in order to be appointed as SC. If an applicant fails to meet any of the statutory requirements, I trust that the Chairman of the Bar Association and the President of the Law Society will tender their fair and honest advice to the Chief Justice.

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

Third, we agree and understand that the title of SC represents the profession's and community's recognition of the appointee's competence, advocacy skills and integrity. However, DoJ respects the existing self-regulatory regime of private legal practice. We, therefore, proposed that non-barrister legal officers being appointed as SC shall no longer carry this title should they leave their office and become private legal practitioners. This proposal is consistent with the existing practice of not allowing SCs in private practice to carry the title of SC when they switched to the solicitor branch. So, this proposal does not intend to create an "intra-departmental ranking", so to speak. We proposed that the title is non-permanent only to reflect our respect for the professional demarcation between barristers and solicitors as well as the self-regulatory regime in the private sector.

Deputy President, the implementation of the proposed Bill only involves simple amendments to the provisions but it is of great significance to the legal officers in the departments concerned. The proposal is also in line with the international trend and will remove an unnecessary nominal threshold, so that advocates, including eligible barristers in private practice and legal officers, who meet the statutory eligibility requirements will be appointed as SCs purely on the principle of meritocracy.

I implore Members to support the Bill. Thank you, Deputy President.

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Legal Practitioners (Amendment) Bill 2021 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.

SALE OF GOODS (UNITED NATIONS CONVENTION) BILL

SECRETARY FOR JUSTICE (in Cantonese): Deputy President, I move the Second Reading of the Sale of Goods (United Nations Convention) Bill ("the Bill").

The objective of the Bill is to implement the United Nations Convention on Contracts for the International Sale of Goods ("CISG") in Hong Kong, with a view to enhancing Hong Kong's legal infrastructure for the international sale of goods and bolstering its role as an international hub for trade and dispute resolution.

CISG is an important and widely adopted Convention. With 94 Contracting States as at the end of June this year, it is a commercial law treaty which provides a set of uniform rules governing contracts for the international sale of goods within its scope. Its purpose is to provide a modern, uniform and fair regime for contracts for the international sale of goods, thereby introducing certainty in commercial exchanges and decreasing transaction costs.

While China is a Contracting State to CISG, CISG is currently not applicable to Hong Kong.

The benefits of applying CISG to Hong Kong include the potential to drive GDP and trade growth, preventing Hong Kong businesses from being subject to unfamiliar foreign laws when entering into cross-boundary transactions, improving Hong Kong's competence in resolving CISG disputes, and providing Hong Kong businesses with an additional choice of law option.

The Government conducted a public consultation on the proposed application of CISG to Hong Kong during a period of seven months in 2020. In summary, there is general support among the respondents to the consultation, including the Hong Kong Bar Association and The Law Society of Hong Kong. The Panel on Administration of Justice and Legal Services of the Legislative Council was briefed on the policy aspects of the Bill at its meeting in March this year. Members of the Panel indicated support for the application proposal.

CISG applies automatically to contracts for the sale of goods between parties whose places of business are in different Contracting States. Further, it also applies to international sales contracts where the rules of private international law of the forum lead to the application of the law of a Contracting State according to Article 1(1)(b) of CISG, although any State may declare under Article 95 that it will not be bound by this provision. While China has made such reservation when joining CISG, the Government plans to apply CISG without such reservation to Hong Kong, taking into account the responses received in the public consultation.

Party autonomy is a fundamental principle of the Convention. With very limited exceptions, the parties can, by agreement, derogate from or vary the effect of any provisions of CISG, or exclude the Convention's application entirely.

The Bill seeks to give CISG the force of law in Hong Kong. Its main provisions are as follows:

- (1) Clause 2 defines the term "Convention" to mean CISG;
- (2) Clause 3 states that the Ordinance to be enacted applies to the Government;
- (3) Clause 4 gives the Convention the force of law in Hong Kong;
- (4) Clause 5 provides that if there is any inconsistency between the Ordinance to be enacted or CISG and any other laws, the Ordinance or CISG prevails to the extent of the inconsistency; and
- (5) The text of the Convention is set out in the Schedule to the Bill.

In respect of the commencement of the Bill, Clause 1 provides that the Ordinance to be enacted comes into operation on a day to be appointed by the Secretary for Justice by notice published in the Gazette. Noting that relevant stakeholders may require time to adapt to the change and adjust their business practice and affairs as appropriate, the Government plans to defer the commencement of the Bill until at least six to nine months after its passage.

Deputy President, generally speaking, the Department of Justice is not the Policy Bureau responsible for the application of international conventions to Hong Kong or the relevant legislative exercise. However, having considered from a legal policy perspective that the application of CISG may provide Hong Kong businesses with an additional option in terms of law and enhance Hong Kong's competence in resolving relevant disputes, the Department of Justice has spearheaded the relevant legislative exercise this time in consultation with the Commerce and Economic Development Bureau. Here, I would like to give special thanks to the Commerce and Economic Development Bureau for assisting the Department of Justice in consulting the business sector on the proposed application of the Convention to Hong Kong.

Subject to the passage of the Bill and after the enactment of the Ordinance, the Government will seek the assistance of the Central Government in completing the necessary steps for the application of CISG to Hong Kong pursuant to Article 153 of the Basic Law.¹

With these remarks, I implore Members to support the Bill.

Thank you, Deputy President.

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Sale of Goods (United Nations Convention) Bill 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.

LANDLORD AND TENANT (CONSOLIDATION) (AMENDMENT) BILL 2021

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, I move the Second Reading of the Landlord and Tenant (Consolidation) (Amendment) Bill 2021 ("the Bill").

The Government has all along been concerned about the situation of households living in subdivided units. Last year, the Chief Executive announced the establishment of the Task Force for the Study on Tenancy Control of Subdivided Units ("the Task Force") to study whether tenancy control on subdivided units should be implemented in Hong Kong and the possible options, so as to protect the rights and interests of tenants of subdivided units. In response to the concerns of the community, the Task Force completed its study three months ahead of schedule and submitted a report to the Government at the

¹ Article 153 of the Basic Law provides (excerpts) that, "[t]he application to the Hong Kong Special Administrative Region of international agreements to which the People's Republic of China is or becomes a party shall be decided by the Central People's Government in accordance with the circumstances and needs of the Region, and after seeking the views of the government of the Region."

end of March this year, recommending the Government to introduce rent control on subdivided units as appropriate, as well as proposing a regulatory framework and a host of measures.

As we reported to the Subcommittee on Issues Relating to Transitional Housing and Subdivided Units under the Panel on Housing of the Legislative Council on 26 April this year, the Government, after careful consideration of the report of the Task Force, considered that the proposed rent control measures, if implemented, could achieve the policy objective of providing reasonable protection to tenants of subdivided units. The Government has accepted in principle the recommendations of the Task Force and has formulated the Bill according to the recommendations to implement tenancy control on subdivided units by adding Part IVA to the Landlord and Tenant (Consolidation) Ordinance (Cap. 7). Members in general support the proposal and have urged the Government to introduce the relevant bill into the Legislative Council as soon as possible to facilitate the early implementation of rent control measures on subdivided units.

At the Chief Executive's Question and Answer Session of the Legislative Council on 4 February this year, the Chief Executive undertook that the Government would introduce a bill into the Legislative Council in the current legislative session to implement tenancy control on subdivided units as soon as possible. We have completed the drafting of the relevant legislation and the Chief Executive in Council agreed last Tuesday that the Government would introduce the Bill into the Legislative Council for scrutiny.

The legislative proposals in the Bill are mainly formulated based on the framework put forward by the Task Force, and have fully taken into account the guiding principles adopted by the Task Force to ensure that while providing reasonable protection to tenants of subdivided units, the legislative proposals will not disproportionately infringe on the property rights of owners, and that they will minimize the consequences of incompatibility with the original intent, incorporate appropriate measures to address the problems arising from sub-letting as far as possible, and adopt tenancy control measures which have a sound legal basis, are relatively easy to administer and can be implemented speedily.

In the course of drafting the legislation, the greatest challenge is how to define subdivided units at the legal level and delineate the scope of regulation. As we know, subdivided units exist not only in residential buildings, but also in

commercial and industrial buildings, as well as temporary structures such as "rooftop huts" and "podium huts". In fact, some subdivided units may involve illegal land use or unauthorized building structures. If tenancy control covers such illegal subdivided units, it may convey a wrong message to the public that the Government has "legitimized" such illegal subdivided units. We also understand that tenants living in such subdivided units are more vulnerable than those living in subdivided units in ordinary residential buildings, and are therefore in greater need of protection under the rent control measures. The Task Force, concern groups and Members from different major political parties and groupings of the Legislative Council in general consider that tenancy control on subdivided units should protect as many tenants of subdivided units as possible.

In view of this, the Bill now covers subdivided units located in different types of buildings, including residential buildings and commercial and industrial buildings. Generally speaking, it also covers different types of subdivided units in these buildings, such as cubicles, bedspaces, capsules, cocklofts, cage homes, as well as "rooftop" and "podium" units. Nevertheless, we must emphasize that the Bill does not "legitimize" illegal "subdivided units" located in commercial and industrial buildings or temporary structures. The implementation of tenancy control will not affect the enforcement actions taken by the relevant government departments under the existing legislation, particularly in respect of building safety and fire safety.

The proposed tenancy control framework under the Bill includes mandatory execution of a written tenancy agreement between the landlord and the tenant of a subdivided unit setting out the rights and obligations of both parties. It also includes providing a four-year security of tenure to tenants; restricting the level of rent increase upon tenancy renewal every two years with reference to the index of all classes of private residential properties compiled by the Rating and Valuation Department, subject to a cap of 15%; and prohibiting landlords from overcharging tenants utility fees (e.g. water and electricity charges), etc. We consider that the implementation of the proposed rent control measures can achieve our policy objective of providing reasonable protection to tenants of subdivided units. Without unduly undermining the interests and property rights of owners of subdivided units, these measures provide security of tenure to tenants of subdivided units, sparing them from being overcharged by landlords for water and electricity charges and arbitrary rent increases imposed by landlords upon tenancy renewal.

Deputy President, tenancy control on subdivided units is a very complicated and controversial issue. The completion of the drafting of the relevant legislative amendments within a short time is attributed to the efforts of the Task Force, the views and support of Members of the Legislative Council and non-governmental organizations in the process, as well as the full commitment of the relevant government departments. All these have clearly reflected our determination to protect the rights and interests of tenants of subdivided units. I hope that the Legislative Council will complete the scrutiny and passage of the Bill as soon as possible before the end of the current legislative session, so that the tenancy control measures on subdivided units can be implemented expeditiously. We will fully cooperate with the Legislative Council in its scrutiny of the Bill and will continue to listen to the views of Members and the public.

Deputy President, I so submit.

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Landlord and Tenant (Consolidation) (Amendment) Bill 2021 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.

TELECOMMUNICATIONS (AMENDMENT) BILL 2021

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Deputy President, I move the Second Reading of the Telecommunications (Amendment) Bill 2021 ("the Bill").

With the rapid development of telecommunications technology, communication services have become an indispensable part of people's life, and Internet of Things ("IoT") services have become increasingly popular. Meanwhile, remarkable progress has been made after the roll-out of 5G services in Hong Kong for just one year, covering over 90% of the population, and the coverage in some core business districts and areas with high pedestrian flow has even reached 99%, which is among the highest in the world. To dovetail with

the development of the telecommunications industry, particularly the application of 5G and IoT services, our telecommunications regulatory framework has to be improved and kept updated.

In 2019, we completed a three-month public consultation on the Review of Telecommunications Regulatory Framework, and the stakeholders were generally supportive of the direction of the proposed measures. In November 2019 and April this year, we briefed the Panel on Information Technology and Broadcasting of the Legislative Council on the outcome of the consultation and the proposed legislative amendments, and the Panel agreed to conduct the amendment exercise.

Deputy President, the Bill presented by us covers the following four legislative proposals. First, in the 5G and IoT era, smart products are developing rapidly and many of them are equipped with Internet connection functions, but they do not fall within the jurisdiction of the Communications Authority ("CA") under the Telecommunications Ordinance ("TO"). For this reason, we propose to amend section 32D of TO to clearly provide for the powers and duties of CA and focus on regulating the telecommunications functions of these products, including providing for relevant telecommunications technical standards and specifications.

Second, the integrity of telecommunications infrastructure and reliable telecommunications services have become increasingly important, and the telecommunications industry has for many years strongly requested that the protection of below-ground, namely underground, telecommunications infrastructure be strengthened. With reference to the existing statutory protection arrangements for public facilities such as electricity supply lines and gas pipes, we propose to amend TO to create criminal offences against any person who does not take reasonable steps to protect or who even causes damage to underground telecommunications facilities when carrying out any work.

CA will draw up guidelines to provide the sector with clear work safety guidelines and preventive measures. The guidelines can also be used as a defence by the sector in abiding by the concerned legislation. Following the passage of the Bill, CA will further consult the sector and stakeholders concerned.

Third, a more flexible licensing mechanism is needed in the 5G and IoT era, so as to facilitate the timely introduction of innovative services by the industry, and enable the authorities to regulate such new services more

effectively. We propose to simplify the existing requirements by empowering the Secretary for Commerce and Economic Development to specify by notice published in the Gazette certain telecommunications licences with designated geographical coverage, scope, scale or customer base of the service as non-carrier licences. These licences are generally smaller in scale, can be issued with more flexibility and benefit from more relaxed licence conditions and lower licence fees.

Last but not least, we propose to expand the functions and powers of the existing Telecommunications (Competition Provisions) Appeal Board (to be renamed as the Telecommunications Appeal Board) so that it can handle appeals in addition to those relating to section 7Q of TO (i.e. exploitative conducts engaged by licensee). Licensees can appeal to the Appeal Board if they are aggrieved by other telecommunications-related regulatory decisions of CA.

Deputy President, the Bill has responded to the suggestions made by the industry and stakeholders on the telecommunications regulatory framework. Details of the various amendments are set out in the Legislative Council Brief. I hope that Members will support the Bill, so that the telecommunications regulatory framework can be kept updated to facilitate the sustainable development of the telecommunications industry.

Deputy President, I so submit. Thank you.

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Telecommunications (Amendment) Bill 2021 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.

MANDATORY PROVIDENT FUND SCHEMES (AMENDMENT) BILL 2021

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy President, I move the Second Reading of the Mandatory Provident Fund Schemes (Amendment) Bill 2021 ("the Bill").

As a financial infrastructure project, the eMPF Platform is mainly directed at the existing decentralized administration and reliance on high-cost paper-based transactions of the Mandatory Provident Fund ("MPF") schemes. Through standardizing, streamlining and automating the administration processes, it will deal with the scheme administration, which is currently decentralized among various trustees, in a centralized manner, and provide services on a cost-recovery basis. Enabled by economies of scale and digitization, the eMPF Platform will enhance the operational efficiency and cost-effectiveness of the MPF System and reduce administrative costs, thereby creating room for fee reduction and a better MPF experience.

Following the passage of the first-stage legislative amendments by the Legislative Council in July last year empowering the Mandatory Provident Fund Schemes Authority ("MPFA") to set up a wholly owned subsidiary to take forward the eMPF Platform Project, we now introduce the Bill to further amend the Mandatory Provident Fund Schemes Ordinance and related legislation to provide a sound legal basis for the implementation of the eMPF Platform.

Specifically, the Bill mainly covers six aspects:

- (1) setting out the operating framework and mandatory use of the eMPF Platform;
- (2) delineating the public functions of the eMPF Platform Company Limited, which is responsible for administering and operating the Platform;
- (3) setting out the oversight role of MPFA;
- (4) formulating the requirements on administrative cost savings and fee setting upon operation of the eMPF Platform;
- (5) reflecting the streamlined workflow resulting from the implementation of the eMPF Platform; and
- (6) making other miscellaneous amendments to the existing legislation, such as lowering the cap on out-of-pocket expenses of the Default Investment Strategy constituent funds, empowering the Director of

Audit to conduct value-for-money examination of MPFA and its wholly owned subsidiary, and revising the arrangement for the appointment of MPFA's Deputy Chairperson.

One of the policy objectives of the eMPF Platform Project is to save administrative costs and reduce the fees for MPF scheme members as early as possible. In this regard, the Bill expressly regulates the scheme administration fee upon the implementation of the eMPF Platform. Firstly, the scheme administration fee charged by the trustee shall not exceed the future Platform fee. Secondly, the trustee shall reflect the cost savings, i.e. the difference between the existing administration fee charged by the trustee on scheme members and the future Platform fee, in the Fund Expense Ratio, so as to ensure straight pass-on of cost savings to scheme members, and at the same time, there will be corresponding reduction in the overall fees for the funds.

We are confident that pursuant to the Bill, the eMPF Platform will bring tangible benefits to scheme members. According to the latest estimates, as soon as MPF trustees and their schemes migrate to the eMPF Platform in sequence, scheme members are expected to enjoy on average a cut of about 30% in the scheme administration fee payable, with a corresponding reduction in the overall fee level. After 10 years of operation of the eMPF Platform, the total cumulative quantifiable cost savings will reach \$30 billion to \$40 billion. Moreover, the Bill proposes to lower the existing cap on out-of-pocket expenses of DIS constituent funds from 0.2% of the net asset value to 0.1% per annum, with a view to creating further room for fee reduction for scheme members.

Regarding the industry, the eMPF Platform can improve the operational efficiency of the MPF System, lower the administrative costs, reduce the regulatory burden and open up possibilities of new initiatives for the industry.

The proposals in the Bill have taken into account the views collected from earlier consultation with the public, the Legislative Council Panel on Financial Affairs and the industry. Meanwhile, we are working closely with MPFA, eMPF Platform Company and the industry to develop the eMPF Platform, which is expected to be completed by the end of 2022 at the earliest. The eMPF Platform will come into full operation in around 2025 at the earliest following the migration of trustees in a sequential manner from 2023 onwards.

Deputy President, the eMPF Platform Project is the most important reform of the MPF System since its implementation in 2000. It will help reshape the currently decentralized and high-cost operating landscape, enhance the cost-effectiveness of the system and reduce the fees for scheme members. I implore Members to support the Bill to facilitate the smooth implementation of the eMPF Platform Project.

I so submit. Thank you, Deputy President.

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Mandatory Provident Fund Schemes (Amendment) Bill 2021 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.

DANGEROUS GOODS (MISCELLANEOUS AMENDMENTS) BILL 2021

SECRETARY FOR SECURITY (in Cantonese): Deputy President, I move the Second Reading of the Dangerous Goods (Miscellaneous Amendments) Bill 2021 ("the Bill") which seeks to make technical consequential and related amendments to various ordinances and subsidiary legislation involving different regulatory departments. We also propose to take this opportunity to make some refinements to the Dangerous Goods Ordinance ("DGO").

At present, the manufacture, storage, conveyance and use of dangerous goods ("DG") are controlled by the SAR Government in accordance with DGO enacted in 1956 and its subsidiary legislation. When DGO was enacted back then, there was no harmonized standard governing the classification, transportation, labelling and packaging of DG internationally. Subsequently, an international organization has formulated international codes on the classification and transportation of DG which are applicable to different situations. Our major trading partners have made reference to these codes and amended their regulatory systems on DG. However, some provisions of the existing DGO and its subsidiary legislation are no longer in line with the latest standards commonly adopted internationally and thus need to be updated and rearranged. The Government has therefore reviewed the ordinance concerned and its subsidiary legislation and has been making amendments to the relevant legislation by phases:

To start with, in the first phase, the Dangerous Goods (Amendment) Bill 2000 was passed by the Legislative Council in 2002 to provide a legal framework for the amendments to the entire regulatory system of DG;

In the second phase, the Dangerous Goods (Application and Exemption) Regulation 2012 ("DG(A&E)R 2012") and the Dangerous Goods (Shipping) Regulation 2012 were made by the Government in 2012 to specify the types and quantities of DG to be controlled on land, and the regulation of conveyance of DG at sea respectively;

In the third phase, the Dangerous Goods (Control) Regulation ("DG(C)R") and the Dangerous Goods (Application and Exemption) Regulation 2012 (Amendment) Regulation 2021 ("DG(A&E)R 2012 (A)R 2021") were made by the Government earlier this year. The new DG(C)R will replace the existing Dangerous Goods (General) Regulations to set out the licensing regime for the manufacture, storage, conveyance and use of DG, as well as requirements for the packing, marking and labelling of DG. DG(A&E)R 2012 (A)R 2021 seeks to update DG(A&E)R 2012 with a view to aligning it with the latest international standards;

In the current phase (i.e. the fourth phase), we propose to pass the Bill to make consequential amendments to other ordinances and subsidiary legislation. As various ordinances and subsidiary legislation involving different regulatory departments have made reference to the classification and exempt quantity, etc. of DG under DGO, we need to make technical consequential amendments to these ordinances and subsidiary legislation after completion of the legislative amendment exercises in the first to third phases above, so as to avoid inconsistencies among legal provisions when implementing the new regulatory system. The provisions proposed to be amended do not involve any change in policy, that is, all relevant policies will remain unchanged.

We also propose to take this opportunity to make some refinements to DGO, including empowering the Secretary for Security to publish in the Gazette the technical amendments made to the Schedules to the subsidiary legislation under DGO, so as to facilitate regular updating of the technical details of the subsidiary legislation (such as the list and exempt quantity of DG) in the future, and empowering relevant public officers to specify the forms of licences, thereby streamlining the process.

Deputy President, it is necessary for us to make consequential amendments to other ordinances and subsidiary legislation by way of the Bill, so as to avoid inconsistencies among legal provisions when implementing the new regulatory system. I hope that Members will support the Bill.

Deputy President, I so submit.

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Dangerous Goods (Miscellaneous Amendments) Bill 2021 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 on Government Bill

DEPUTY PRESIDENT (in Cantonese): This Council resumes the Second Reading debate on The Open University of Hong Kong (Amendment) Bill 2021.

THE OPEN UNIVERSITY OF HONG KONG (AMENDMENT) BILL 2021

Resumption of debate on Second Reading which was moved on 23 June 2021

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

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): If no Member wishes to speak, I now put the question to you and that is: That The Open University of Hong Kong (Amendment) Bill 2021 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

I declare the motion passed.

CLERK (in Cantonese): The Open University of Hong Kong (Amendment) Bill 2021.

Council became committee of the whole Council.

Consideration by Committee of the Whole Council

DEPUTY CHAIRMAN (in Cantonese): This Council now becomes committee of the whole Council to consider The Open University of Hong Kong (Amendment) Bill 2021.

THE OPEN UNIVERSITY OF HONG KONG (AMENDMENT) BILL 2021

DEPUTY CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses and schedule stand part of the Bill.

CLERK (in Cantonese): Clauses 1 to 8 and the Schedule.

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

(No Member indicated a wish to speak)

DEPUTY CHAIRMAN (in Cantonese): If no Member wishes to speak, I now put the question to you and that is: That the clauses and schedule read out by the Clerk stand part of the Bill. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

DEPUTY CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present.

I declare the motion passed.

DEPUTY PRESIDENT (in Cantonese): All the proceedings on The Open University of Hong Kong (Amendment) Bill 2021 have been concluded in committee of the whole Council. Council now resumes.

Council then resumed.

SECRETARY FOR EDUCATION (in Cantonese): Deputy President, I now report to the Council: That

The Open University of Hong Kong (Amendment) Bill 2021

has been passed by committee of the whole Council without amendment. I move the motion that "This Council adopts the report".

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Education be passed.

In accordance with the Rules of Procedure, this motion shall be voted on without amendment or debate.

DEPUTY PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

I declare the motion passed.

Third Reading of Government Bill

DEPUTY PRESIDENT (in Cantonese): Government Bill: Third Reading.

THE OPEN UNIVERSITY OF HONG KONG (AMENDMENT) BILL 2021

SECRETARY FOR EDUCATION (in Cantonese): Deputy President, I move that

The Open University of Hong Kong (Amendment) Bill 2021

be read the Third time and do pass.

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That The Open University of Hong Kong (Amendment) Bill 2021 be read the Third time and do pass.

Does any Member wish to speak?

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

I declare the motion passed.

CLERK (in Cantonese): The Open University of Hong Kong (Amendment) Bill 2021.

MEMBERS' MOTIONS ON SUBSIDIARY LEGISLATION

DEPUTY PRESIDENT (in Cantonese): Members' motions on subsidiary legislation.

Three proposed resolutions under the Interpretation and General Clauses Ordinance in relation to the extension of the period for amending subsidiary legislation.

First motion: To extend the period for amending the Building (Minor Works) (Amendment) Regulation 2021 and the Buildings Ordinance—Resolution of the Legislative Council (Commencement) Notice, which were laid on the Table of this Council on 23 June 2021.

I now call upon Mr Holden CHOW to move the motion.

PROPOSED RESOLUTION TO EXTEND THE PERIOD FOR AMENDING SUBSIDIARY LEGISLATION (L.N. 93 AND L.N. 94 OF 2021)

MR HOLDEN CHOW (in Cantonese): Deputy President, I move that the motion, as printed on the Agenda, be passed.

Mr Holden CHOW moved the following motion:

"RESOLVED that in relation to the—

- (a) Building (Minor Works) (Amendment) Regulation 2021, published in the Gazette as Legal Notice No. 93 of 2021; and
- (b) Buildings Ordinance—Resolution of the Legislative Council (Commencement) Notice, published in the Gazette as Legal Notice No. 94 of 2021,

and laid on the table of the Legislative Council on 23 June 2021, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 18 August 2021."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Holden CHOW be passed.

DEPUTY PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

DEPUTY PRESIDENT (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members present, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections.

I declare the motion passed.

DEPUTY PRESIDENT (in Cantonese): Second motion: To extend the period for amending seven items of subsidiary legislation relating to the implementation of the new inspection regime of the Companies Register under the Companies Ordinance, which were laid on the Table of this Council on 23 June 2021.

I now call upon Mr CHAN Chun-ying to move the motion.

PROPOSED RESOLUTION TO EXTEND THE PERIOD FOR AMENDING SUBSIDIARY LEGISLATION (L.N. 95 TO L.N. 101 OF 2021)

MR CHAN CHUN-YING (in Cantonese): Deputy President, I move that the motion, as printed on the Agenda, be passed.

Mr CHAN Chun-ying moved the following motion:

"RESOLVED that in relation to the—

- (a) Companies Ordinance (Commencement) Notice 2021, published in the Gazette as Legal Notice No. 95 of 2021;
- (b) Companies Ordinance (Commencement) (No. 2) Notice 2021, published in the Gazette as Legal Notice No. 96 of 2021;
- (c) Companies Ordinance (Commencement) (No. 3) Notice 2021, published in the Gazette as Legal Notice No. 97 of 2021;
- (d) Companies (Residential Addresses and Identification Numbers) Regulation, published in the Gazette as Legal Notice No. 98 of 2021;

- (e) Company Records (Inspection and Provision of Copies) (Amendment) Regulation 2021, published in the Gazette as Legal Notice No. 99 of 2021;
- (f) Companies (Non-Hong Kong Companies) (Amendment) Regulation 2021, published in the Gazette as Legal Notice No. 100 of 2021; and
- (g) Companies Ordinance (Amendment of Schedule 11) Notice 2021, published in the Gazette as Legal Notice No. 101 of 2021,

and laid on the table of the Legislative Council on 23 June 2021, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 18 August 2021."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr CHAN Chun-ying be passed.

DEPUTY PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

DEPUTY PRESIDENT (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members present, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections.

I declare the motion passed.

DEPUTY PRESIDENT (in Cantonese): Third motion: To extend the period for amending two items of subsidiary legislation made under the Prevention and Control of Disease Ordinance, which were laid on the Table of this Council on 23 June 2021.

I now call upon Dr CHIANG Lai-wan to move the motion.

PROPOSED RESOLUTION TO EXTEND THE PERIOD FOR AMENDING SUBSIDIARY LEGISLATION (L.N. 102 AND L.N. 103 OF 2021)

DR CHIANG LAI-WAN (in Cantonese): Deputy President, I move that the motion, as printed on the Agenda, be passed.

Dr CHIANG Lai-wan moved the following motion:

"RESOLVED that in relation to the—

- (a) Prevention and Control of Disease (Requirements and Directions) (Business and Premises) (Amendment) (No. 3) Regulation 2021, published in the Gazette as Legal Notice No. 102 of 2021; and
- (b) Prevention and Control of Disease (Prohibition on Group Gathering) (Amendment) (No. 4) Regulation 2021, published in the Gazette as Legal Notice No. 103 of 2021,

and laid on the table of the Legislative Council on 23 June 2021, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 18 August 2021."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr CHIANG Lai-wan be passed.

DEPUTY PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

DEPUTY PRESIDENT (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members present, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections.

I declare the motion passed.

MEMBERS' OTHER MOTIONS

DEPUTY PRESIDENT (in Cantonese): Members' other motions.

Proposed resolution under Article 75 of the Basic Law to amend the Rules of Procedure.

Members who wish to speak please press the "Request to speak" button.

I now call upon Mr Paul TSE to speak and move the motion.

PROPOSED RESOLUTION UNDER ARTICLE 75 OF THE BASIC LAW TO AMEND THE RULES OF PROCEDURE

MR PAUL TSE (in Cantonese): Deputy President, in my capacity as the Chairman of the Committee on Rules of Procedure, I move that the proposed resolution, as printed on the Agenda, be passed to amend certain provisions of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region ("RoP").

Deputy President, the second batch of proposed amendments to RoP and the House Rules ("HR") was already passed by the House Committee on 25 June. The four groups of proposals include as follows:

The first group concerns committee membership and election of the chairman and deputy chairman of a committee. Three proposals are included: firstly, specifying a cap on the membership size of committees; for example, the sizes of Panels and Bills Committees will be capped at 20 and 15 members respectively; secondly, putting in place a mechanism for allocation of committee seats, with each Member being able to serve on a maximum of six Panels at the same time; thirdly, amending the procedure for election of the chairman and deputy chairman of a committee.

Deputy President, the second group deals with quorum calls and points of order. Three new procedures are proposed to be introduced: firstly, a penalty shall be imposed each and every time on a Member who is absent without valid reasons from a Council meeting aborted due to a lack of quorum. The penalty will be fixed across the board at an amount equivalent to one day's remuneration payable to a Member who does not serve on the Executive Council. After the relevant legislation is amended, the Legislative Council will add the provisions concerned to RoP. Secondly, RoP will be amended to specify that a Member shall not interrupt another Member by rising to a point of order unless called by the President in Council, the Chairman in a committee of the whole Council ("CoWC") or the chairman of any other committee; and the Member interrupting may be directed to discontinue speaking if the President in Council, the Chairman in CoWC or the chairman of a committee is of the opinion that the interruption is an abuse of procedure. Thirdly, RoP will be amended to specify that the President in Council, the Chairman in CoWC or the Member presiding in Council and in CoWC may decide when and how to deal with a point of order if he/she is of the opinion that the raising of such a point of order is an abuse of procedure. The chairmen or deputy chairmen of other committees, excluding any other member presiding over a meeting, may also exercise such power.

Deputy President, the third group of proposals provides that Members attending Council and CoWC meetings, excluding other committee meetings, shall dress in business attire.

(THE PRESIDENT resumed the Chair)

The fourth group of proposals specifies that at Council, CoWC or other committee meetings, a Member may display an object only while speaking, provided that RoP 41 and the new HR 19B are conformed to.

President, should the resolution be passed, except for the proposals on committee membership and election of chairman and deputy chairman, which will come into operation on the day on which the Seventh Legislative Council begins, various other amendments to RoP and HR will come into operation upon the gazettal of the resolution.

President, let me make some remarks very quickly. This amendment exercise is surely another relatively substantive and massive amendment exercise in our current term. However, apart from saying that the operation of the Council has been quite normal after the chaos have been rectified, I would also like to say that, just like this morning, we noticed just now that various Secretaries were able to propose some new motions very smoothly. This approach has an immediate effect on the operation, efficiency and effectiveness of our Legislative Council.

This time, the reason why we want another amendment exercise is basically because of an increase in the number of Members in our next term, which necessitates a relatively reasonable arrangement concerning the number of committees—a relatively reasonable arrangement when compared to the number, size and membership of committees in other countries. Secondly, it is our hope, for example, that some amendments can be made with regard to quorum calls, so that Members will further reduce abuse of the so-called quorum calls. Thirdly, we also hope that the order of the Legislative Council can have more public support in terms of dignity or practice, so it is necessary to set out requirements for our attire or the objects displayed at any time during a speech.

President, I wish to take this opportunity to thank all members of our Committee again for raising numerous views on the amendments this time around. I am also grateful to all Members for putting forward many constructive proposals during the consultation period. Most importantly, my gratitude goes to the Committee Clerk and our Legal Advisers who have done a lot of work on the amendments concerned. Thank you, President.

Mr Paul TSE moved the following motion:

"RESOLVED that—

- (a) the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region be amended as set out in the Schedule;
- (b) subject to paragraph (c), this Resolution is to come into operation on the day on which it is published in the Gazette; and
- (c) sections 5, 6 and 7 of the Schedule are to come into operation on the day on which the seventh term of office of the Legislative Council begins.

Schedule

Amendments to Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region

1. Rule 39 amended (interruptions)

(1) Rule 39—

Renumber the Rule as Rule 39(1).

(2) Rule 39(1)(a)—

Repeal

"when the Member speaking shall resume his seat and"

Substitute

"and if called by the President or Chairman, when the Member speaking shall resume his seat and, subject to subrule (2),".

(3) After Rule 39(1)—

Add

"(2) The President or Chairman may direct the Member who is interrupting another Member under subrule (1)(a) to discontinue speaking if the President or Chairman is of the opinion that the interruption is an abuse of procedure.".

2. Rule 42 amended (behaviour of Members during meeting)

(1) Rule 42(a)—

Repeal

"enter or leave the Council properly attired and"

Substitute

"dress in business attire and behave".

(2) Rule 42(c)—

Repeal

"and".

(3) Rule 42(d)—

Repeal the full stop**Substitute**

"; and".

(4) After Rule 42(d)—

Add

"(e) a Member may, subject to any such requirements or restrictions as may from time to time be recommended by the House Committee, display an object for illustrating a point in his speech only while he is speaking provided that any sign, graphics, message or any other information displayed on the object conforms to Rule 41 (Contents of Speeches).".

3. Rule 43 amended (application of Rules to committees)

Rule 43, after "in this Part"—

Add

", except the attire requirement laid down in Rule 42(a) (Behaviour of Members during Meeting) which shall only apply to the proceedings of the Council and a committee of the whole Council,".

4. Rule 44 amended (decision of Chair final)

(1) Rule 44, heading—

Repeal

"Chair Final"

Substitute

"the Chair".

(2) Rule 44—

Renumber the Rule as Rule 44(1).

(3) After Rule 44(1)—

Add

"(2) Where the President in Council or the Chairman in a committee of the whole Council is of the opinion that the raising of a point of order is an abuse of procedure, he may decide when and how he would deal with the point of order so raised.

(3) The power conferred on the President in Council or the Chairman in a committee of the whole Council by subrule (2) may be exercised by the chairman or deputy chairman of any other committee, but not by any other member presiding at that committee, in dealing with a point of order."

5. Rule 75 amended (House Committee)

(1) Before Rule 75(4)—

Add

"(3A) The committee shall decide the mechanism for allocation of committee seats of Panels, Bills Committees and subcommittees appointed by the committee, a Panel, two or more Panels or a Bills Committee, and the procedure for election of the chairman and deputy chairman of such committees."

-
- (2) Rule 75(7)—
Repeal
everything after "who"
Substitute
"have signified membership and are allocated committee seats in accordance with the mechanism decided by the committee under subrule (3A).".
- (3) Rule 75(11), before "any other item"—
Add
"an issue of public concern which falls outside the purview of Panels or".
- (4) Rule 75—
Renumber subrule (12) as subrule (12)(a).
- (5) After Rule 75(12)(a)—
Add
"(b) The members of a subcommittee appointed under paragraph (a) shall be those Members (other than the President) who have signified membership and are allocated committee seats in accordance with the mechanism decided by the committee under subrule (3A).

(c) Subject to paragraph (d), a subcommittee appointed under paragraph (a) shall consist of not less than 3 members and (unless otherwise decided by the committee) not more than 15 members including the chairman.

(d) Where a subcommittee is appointed for the purpose of assisting the committee to consider an issue of public concern which falls outside the purview of Panels, such subcommittee shall consist of not less than 3 members and not more than 20 members including the chairman.".

6. Rule 76 amended (Bills Committees)

(1) Rule 76(1A)—

Repeal

everything after "who"

Substitute

"have signified membership and are allocated committee seats in accordance with the mechanism decided by the House Committee under Rule 75(3A) (House Committee).".

(2) Rule 76(3), after "not less than 3 members"—

Add

"and (unless otherwise decided by the House Committee) not more than 15 members".

(3) Rule 76(4), after "functions."—

Add

"The members of a subcommittee shall be those members of the Bills Committee who have signified membership and are allocated committee seats in accordance with the mechanism decided by the House Committee under Rule 75(3A) (House Committee). A subcommittee shall consist of not less than 3 members and (unless otherwise decided by the House Committee) not more than 15 members including the chairman.".

7. Rule 77 amended (Panels)

(1) Rule 77(4)—

Repeal

everything after "who"

Substitute

"have signified membership and are allocated committee seats in accordance with the mechanism decided by the House Committee under Rule 75(3A) (House Committee). The term of office of the members of a Panel shall be one session.".

- (2) Rule 77(8), after "6 members"—
Add
"and not more than 20 members".
- (3) Rule 77(9), after "the Panel."—
Add
"The members of a subcommittee shall be those members of the Panel who have signified membership and are allocated committee seats in accordance with the mechanism decided by the House Committee under Rule 75(3A) (House Committee). A subcommittee shall consist of not less than 3 members and not more than 20 members including the chairman.".
- (4) Rule 77(9A), after "the Panels."—
Add
"The members of a joint subcommittee shall be those members of the relevant Panels who have signified membership and are allocated committee seats in accordance with the mechanism decided by the House Committee under Rule 75(3A) (House Committee). A joint subcommittee shall consist of not less than 3 members and not more than 20 members including the chairman.".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Paul TSE be passed.

MS STARRY LEE (in Cantonese): President, in order to achieve the orderly, efficient and fair disposition of Council business, the Committee on Rules of Procedure ("CRoP") should review the rules and practices of the Legislative Council ("LegCo") from time to time, and propose amendments to the Rules of Procedure ("RoP") and House Rules ("HR"). Earlier on, we endorsed the first batch of amendments, which were implemented in February and March this year, and today we are going to consider the second batch of proposals consisting of four groups in total. I do not intend to repeat the details, but will focus on some of my views on the first and second groups of proposals due to time constraint.

I would like to start with the cap on the membership size of committees. As far as the operation of this Council in the past is concerned, except for individual committees, there was basically no limit on the membership size of each committee of LegCo. We can see its advantage, that is, Members being allowed the widest scope of political deliberation and debate. However, according to operational experience, this practice has given rise to many problems that we must face squarely.

As we know, one of these problems is that at the beginning of a new legislative session, in order to compete for the chairmanship of Panels, Members from different camps would rush to sign up for membership, but many members have to withdraw after the Chairmen have been elected. The second problem is that, especially when some controversial Bills Committees were formed amid heated political arguments, many Members would often join those Bills Committees. Given the large membership size, each Member who attended a meeting might be able to speak only once after having pressed the "Request to speak" button to wait for his/her turn to speak at each Bills Committee meeting. This has greatly compromised our function and efficiency in scrutinizing bills, making it impossible for Members to concentrate on certain areas and have focused discussion.

The aforesaid situation is not desirable for the actual operation of committees, including deliberation, formation of quorum and continuation of the business of committees, which undermines LegCo's constitutional function in monitoring the Government. This issue merits further consideration, particularly given that the number of Members of the next term of the Legislative Council further increases to 90. I am very grateful to CRoP members and the Secretariat for their hard work. In the past, I played an active role in the discussions about amendments to RoP with a view to addressing the issue from an institutional perspective.

President, in view of the aforesaid phenomena, the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") supports the passage of the amendments to RoP and HR to limit the membership size of committees starting from the beginning of the next term of the Legislative Council and require that each Member can serve on a maximum of six Panels at the same time. I note that some Members had reservations about this proposal during the discussion at the last meeting of the House Committee ("HC"). They considered that this would not help improve the efficiency of the Council, while some Members criticized that this would restrict Members' right to join committees.

In this regard, I have tried to understand the whole matter very seriously and thoroughly. I would like to raise three points for members of the public to grasp this matter. The first point is that CRoP was very prudent in putting forward the proposals and drew much reference from the practice of many overseas legislatures, including the House of Commons of the United Kingdom, the New Zealand Parliament, the Bundestag of Germany and the National Assembly of France. On the whole, the membership size of these legislatures is basically subject to a cap, which is a fixed number or a certain percentage of the total number of members. Obviously, in order for the legislatures to exercise their functions more effectively, a cap is set for the membership size of committees in legislatures. The same model is adopted by all legislatures around the world, and this practice is very common.

The second point is that under the existing arrangement, as we know, if Members are concerned about a certain issue, they can attend meetings and speak out. I do not see how this practice will change after amending RoP.

The third point is that flexible provisions have been introduced with the amendments. For those committees formed to study legislative proposals, their membership size can be adjusted if HC and subcommittees on policy issues consider it necessary and the agreement of the entire HC has been obtained. Therefore, flexibility has been allowed in respect of the membership size of the above mentioned committees. I also agree to this amendment to RoP so as to allow for this flexibility. As bills may have different contents, the decision made by HC as a whole will better reflect the overall decision of the Council.

President, owing to time constraint, I will stop here. DAB supports the amendments.

MR TOMMY CHEUNG (in Cantonese): President, I rise to speak in support of Mr Paul TSE's proposed resolution under Article 75 of the Basic Law to amend the Rules of Procedure ("RoP"). This amendment exercise seeks to make corresponding amendments in respect of the committee membership of the Legislative Council, previous elections of chairmen and deputy chairmen, abuses of points of order, interruptions, attire for attending Council meetings, and display of objects by Members at meetings.

In the past, Members of the "mutual destruction camp" often raised the so-called points of order in the Legislative Council to interrupt another Member. Now, RoP are to be amended as: "except by rising to a point of order, and if called by the President or Chairman, when the Member speaking shall resume his seat"; and the President or Chairman may direct the Member who is interrupting another Member to discontinue speaking if the President or Chairman is of the opinion that the interruption is an abuse of procedure. I believe that this move can allow meetings to run more smoothly. Based on my past experience, when Members said that RoP should be invoked, it turned out that this was not the case in 99% of instances.

As for points of order, the "mutual destruction camp" used to filibuster by way of points of order, delaying the progress of meetings and affecting the deliberation and discussion of livelihood issues, which was infuriating. Now, RoP are to be amended as: "Where the President in Council or the Chairman in a committee of the whole Council is of the opinion that the raising of a point of order is an abuse of procedure, he may decide when and how he would deal with the point of order so raised." I consider this very appropriate as this can prevent anyone from abusing the procedure for political purposes.

Another amendments concern the size of committees and the procedure for electing chairmen and deputy chairmen. The amendments this time around will put in place a mechanism for allocation of seats, with the size of Panels being capped at 20 members and that of other subcommittees, 15 members; and all nominations for chairmanship and deputy chairmanship are required to be submitted before a specified deadline. These will ensure that the size of committees will be kept at a reasonable level, and prevent the recurrence of the absurd situation where the procedure for electing chairman was abused.

In addition, the amendments this time around cover the behaviours of Members during meetings: "all Members shall dress in business attire and behave with decorum"; and "a Member may, subject to any such requirements or restrictions as may from time to time be recommended by the House Committee, display an object for illustrating a point in his speech only while he is speaking provided that any sign, graphics, message or any other information displayed on the object conforms to Rule 41 (Contents of Speeches)". These amendments seek to restore the solemnity of the Council because in the past, some Members wore clothes with slogans or even held up large placards and banners when attending Council meetings, showing no respect at all.

The objectives of amending RoP are to enhance the work efficiency of the Council and to ensure that public interests will not be hijacked by the political goals of certain people. The Liberal Party and I will support Mr Paul TSE's proposed resolution under Article 75 of the Basic Law to amend RoP.

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

Deputy President, lastly, I wish to say that I have participated in the Committee on Rules of Procedure for many years. Whenever I noticed that the Secretariat had to conduct research, I would argue that this was indeed a waste of time and efforts and it would be better not to bother, but the Chairman, Mr Paul TSE, was very insistent. Of course, we are now able to make so many amendments during the year, and I reckon that it is the Clerk and Legal Adviser that ... The overall circumstances certainly allow us to make these amendments. In fact, when we engage in the work of the Council, we really do not want to see too much time being wasted, nor do we want to see any Member being able to abuse RoP. It is high time to set things right. Therefore, I am very supportive of these amendments and am very pleased to have spent a great deal of time examining them over the past year or so. It can be said that the amendments this time around are less than perfect. Just now, some fellow colleagues even ... The Deputy President also held a different view on the size of committees. But after all, these are the goals that Members achieved through mutual accommodation and mutual understanding, coordination and compromise.

MR KWOK WAI-KEUNG (in Cantonese): Deputy President, I am also a member of the Committee on Rules of Procedure ("CRoP"). First of all, I must answer the question why the Rules of Procedure ("RoP") still need to be amended despite the substantial decrease in the number of Members of the "mutual destruction camp" in the Council. In fact, this exactly aligns with our Country's spirit of being vigilant in peace time and raising the awareness of risk prevention. Meanwhile, in addition to "mutual destruction", the newly amended RoP also apply to our pro-establishment colleagues, and we need to follow these rules, too. Examples are the "yellow and red card system" and remuneration deduction arrangement for adjournment of meetings endorsed at the last meeting. Pro-establishment Members are also bound by them to a certain extent.

Deputy President, it is said that "water can carry a boat and can also sink a boat". RoP are originally intended to ensure the smooth operation of the Council and safeguard its dignity and standing. However, in the past when there were "mutual destruction", "filibusters" and "black-clad violence", it was clear that ill-intentioned Members of the "mutual destruction camp" weaponized RoP to attack the Council. In fact, if we do not amend RoP, the problem will relapse from time to time, just like rheumatic diseases. We must tackle the problem at root, and come up with a fundamental solution to the problem and situation.

Deputy President, there are a series of amendments this time. I would like to focus on the first group of amendments on abusing RoP to request quorum calls and make interruptions, allowing more room for the President to ask Members who abuse points of order to stop speaking. We can still vividly remember that the Members of the "mutual destruction camp" not only unjustifiably abused points of order, but also raised points of order to express their own political views and interrupted other Members. When other Members exposed their Achilles' heel or pointed out their fallacies, they would interrupt other Members by raising points of order as a cover-up, or to block other Members from making speeches that affect them. We can finally tackle the problem this time, and ensure that the Council can operate smoothly and meet the public's expectations.

Meanwhile, there is one amendment which cannot be incorporated this time. I still do not know whether it will be put forward. It is about whether Members can be forbidden from leaving the Chamber when a Member calls for a quorum. During a quorum call, according to RoP, best efforts should be made to ensure that a quorum is present in the Council. However, those Members who called for a quorum left immediately, proving that their original intention was not to resume the operation of the Council or to have a quorum, but to abuse points of order. It is a prank, to put it mildly, or as a matter of fact, this wreaks havoc. Nevertheless, we cannot deal with the issue this time as there are legal issues to be resolved. I think it is a pity as the procedure takes only a few minutes and can be dealt with easily.

Moreover, another point is about limiting the number of subcommittees and Panels to be joined by a Member. I simply take this as a sensible division of work. As the Legislative Council of the next term consists of 90 Members, all Members need to serve on various Panels and Bills Committees. Such arrangement does not hinder Members from speaking out. Even if Members are

not members of a subcommittee, they can still attend its meetings and speak out, so there is no obstruction at all. On the contrary, this ensures that the Council can operate more smoothly.

Deputy President, there used to be loopholes in RoP. It is hoped that by amending RoP, we can plug the loopholes and prevent the "mutual destruction camp" from weaponizing RoP again, as well as bring the Council out of the dead-end situation, and strive to gain the public's participation and support.

Thank you, Deputy President.

IR DR LO WAI-KWOK (in Cantonese): Deputy President, today, we are examining the proposed resolution moved by Mr Paul TSE in his capacity as Chairman of the Committee on Rules of Procedure ("CRoP") to amend the Rules of Procedure ("RoP") in accordance with Article 75 of the Basic Law.

Deputy President, over the past few years, Members from the opposition camp have resorted to various means to filibuster and stir up troubles in this Council, which had seriously affected the scrutiny of various bills and funding proposals by the Legislative Council. There have been strong calls in the community for a review of the Rules of Procedure and House Rules of the Legislative Council (hereinafter collectively referred to as "RoP") to facilitate the orderly and efficient conduct of Council business. Since the commencement of the 2020-2021 session of this Council, CRoP has been studying a number of proposals put forth by Members to amend RoP. A proposed resolution covering mainly the first batch of proposed amendments to RoP already approved by the House Committee ("HC") was considered and passed at the Council meeting on 24 March. Today, we are considering the second batch of proposed amendments, which were approved by HC on 25 June, covering four proposals.

The first proposal relates to committee membership and election of the chairman and deputy chairman of a committee. For Panels and subcommittees on policy issues, the membership size is capped at 20 members; for Bills Committees and subcommittees on subsidiary legislation and other instruments, the membership size is capped at 15 members and it is stipulated that each Member may serve on a maximum of six Panels at the same time; whereas the election procedure for the chairman and deputy chairman of a committee is also revised. The amended provisions, if enacted, will take effect at the beginning of

the Seventh Legislative Council. I, as a member of CRoP, and my colleagues from the Business and Professionals Alliance of Hong Kong ("BPA") also support the proposed amendments. As the number of Members in the Seventh Legislative Council will increase from 70 to 90, there is a genuine need to specify the maximum number of members in a committee, so that there can be a more effective division of work among Members.

The second proposed amendment relates to the procedures for dealing with quorum calls and points of order. The proposed amendment provides that financial penalties should be imposed on Members absent without valid reasons when a Council meeting is adjourned due to a lack of quorum. Valid reasons may include illness, maternity, paternity, Council-business related duty visits, etc. The amount of penalty will be set at an across-the-board level equivalent to one day's remuneration of a Member not serving on the Executive Council. It is also stipulated that the President of the Legislative Council may not deal with a point of order on quorum if it is an abuse of procedure. Obviously, this serves to effectively plug the loophole of abuse of procedure by certain Members from the opposition camp in the past few years.

The third and fourth proposed amendments provide respectively that Members must dress in business attire when attending Council meetings and may only display objects for the purpose of illustrating their arguments when delivering their speeches. The second to fourth proposed amendments will take effect from the day of gazettal. I think these requirements are realistic, because while it is important to ensure that the Legislative Council can perform its functions, it is equally important for Members to maintain an image commensurate with their status as Members of the Legislative Council in order to uphold the dignity of the Council in the discharge of their duties.

Deputy President, in discussing the above proposed amendments, CRoP has endeavoured to strike a proper balance between ensuring Members' effective participation in Council business and their right to monitor the Government, while plugging the loopholes of abuse of RoP, and facilitating more efficient operation and proceedings of the committees.

With these remarks, Deputy President, I support the passage of the proposed resolution moved by Mr Paul TSE.

MR MICHAEL TIEN (in Cantonese): Deputy President, I have expressed my reservations in the House Committee ("HC") earlier about the amendments this time around, mainly the two parts concerning the cap on the size of committees and the limitation that each Member may join six committees. As for other amendments, I am perfectly fine with them and give my full support. Hence, I must say it one more time today for the record.

Any rules of procedure have to strike a balance between the rights of Members and the efficiency of the Council in transacting business. We have amended the Rules of Procedure ("RoP") many times and even made changes to the electoral system. I am very confident that the changes introduced by the Central Authorities will completely eradicate the chaos in the past. As I said in HC, regarding making speeches, currently, if a subject is controversial, non-Panel Members may also speak on it. This will remain the same after RoP are amended, as we are not asking to keep non-Panel Members from speaking. If a subject is not controversial, there will be no delay nowadays even with a large membership size. Since the entire Hong Kong will be watching the live broadcast, we will not speak for the sake of speaking. These two parts will be of no help to the operation of committees, but have an objective effect of restricting the voting of Members. They cannot obstruct non-Panel Members from speaking but will only result in a restriction of voting. I think that Members are wise enough to evaluate how many committees to join to make contributions. At the end of the day, they have to be accountable to Hong Kong people for their own attendance rates and the quality of their speeches. That is why I have reservations about this.

After I expressed my views last time, some Members put forward opposite arguments that the two parts mainly sought to respond to an increase in the number of Members or prevent Members from leaving right after attendance was taken. Frankly, I disagree with these views. Every Member has to be accountable to his/her voters. If anyone does so, I believe that voters can see clearly. But anyway, this is what the Council is supposed to be like. Members have diverse viewpoints and yet we agree to disagree and resolve these controversies in a peaceful and rational manner. Some also opined that the expression of views is enough and a right to vote is not necessary—because to me, the only difference actually lies in whether there is a right to vote—well then, based on this logic, Deputy President, we honestly do not need the Council at all, for it would be just fine if members of the public express views on their own. What is the point of electing dozens of people into the Council? In fact, it is just an expression of views by way of voting.

I believe all of you know that this time, the Central Authorities took the initiative to change the electoral system of Hong Kong and we have amended RoP for one important reason, that is, to enhance the quality of the Council in transacting business and separate the wheat from the chaff. But what the rules are, it is most crucial to have people who are willing to devote their time to participate in politics. Therefore, it is only because of those two parts that I can hardly support this Member's motion here. I hope that my fellow colleagues can understand.

MR CHAN HAK-KAN (in Cantonese): Deputy President, with a view to further improving the Rules of Procedure ("RoP") and enhancing the operational efficiency of the next term of the Legislative Council, a group of conscientious Members from the pro-establishment camp have sat down to study the second batch of amendments to RoP. They have also asked me to propose such amendments in the Committee on Rules of Procedure ("CRoP").

Mr Paul TSE, Chairman of CRoP, has mentioned several key points a moment ago. For instance, the amendments proposed this time around include those concerning attire, penalties, as well as the procedures of election of chairman, to which Members do not have strong objection. The only matter that has aroused Members' concern is what mentioned by Mr Michael TIEN just now, that is, setting a cap on the membership size for committees and the maximum number of committees that each Member can serve on.

I would like to take this opportunity to talk about this issue in particular. In the future, there will be 90 Members in the legislature. Some committees had relatively more members in the past. Take the Panel on Security which I serve as the Chairman as an example, there were always 40 members in the past. Before each meeting, I had to wait for more than 10 minutes until at least one third of the members were present before I could start the meeting, thus wasting a lot of discussion time. When the number of Members increases to 90 in the future, I believe the waiting time for the meeting to start will be even longer if a committee has 60 or 70 members. This is not what we wish to see either. Therefore, we would think that we had better adopt a more effective approach to proceed with our meetings. We initially decided that the number of members of each Panel should be capped at 15, but we have heard of many Members opining that such number is too small. As a result, we have finally raised the cap to 20 members. One may ask, would setting a cap on the membership size at 20 limit

the opportunity for Members to speak? Many of those Members who oppose or have reservations on the amendment have said themselves that they can still attend a Panel meeting and put forth their views even if they are not its members.

Just now some Members said that they would lose their right to vote. Deputy President, on how many issues do we have to vote in the Panels? Do we need to vote often? None of the Panels on which I serve has ever needed to vote since the start of this year. Besides, actually the voting results do not have any legal binding effect even if the Panels vote on certain issues. Most of them are some motions proposed by Members on an ad hoc basis to vote as a token gesture. As a matter of fact, the real right to vote exists in a Council meeting that we are holding today, and the Finance Committee or bills committees, etc., which is actually more important. So, whether the right to vote in the Panels is really that important, or whether there is a need to vote at all, are what we should consider seriously.

Second, I understand that some "singleton" or independent Members are worried that the major or other political parties would dominate the Panels and exclude those "singleton" Members from joining the Panels, but this is definitely not the case. Deputy President, both CRoP and the Public Accounts Committee currently have a standing mechanism under which Members from different parties and camps would coordinate the composition of membership such that Members from each party and camp and even independent Members can have the opportunity to participate. This is an informal mechanism. Speaking of a formal mechanism, the Legislative Council has that in place as well. For instance, when we need to send representatives from different parties and camps to participate in an overseas visit, the Legislative Council has an established mechanism in place to decide who will be selected from each party and camp, as well as the number of places allocated to them. Therefore, in fact we already have such mechanisms in place, be they formal or informal, to allow Members from different parties and camps and even independent Members to join the Panels. There is no such problem as domination that some Members are worried about.

Another issue is, will it affect the work of Members? As I have pointed out earlier, Members can continue to say what they wish to say in the committees as usual. No one would stop them from doing so. While I am not a member of the Panel on Public Service, I could still express some views to the Immigration Department at its meeting held two days ago. Again, no one stopped me, and

this will not undermine Members' power to monitor the Government either. Therefore, I think the amendments to RoP this time around will improve the system of the Legislative Council and enhance the efficiency of the legislature. I understand and agree with Members' concerns, but there is already a corresponding mechanism in place to deal with them, hence we need not be so worried.

Thank you, Deputy President.

MR CHEUNG KWOK-KWAN (in Cantonese): Deputy President, the current proposals are divided into four major categories, and I will mainly focus my discussion on the views on the size and composition of committees. Deputy President, these proposals are not something that the Committee on Rules of Procedure conjured up with blue-sky thinking, and I thank the Legislative Council Secretariat for making strenuous efforts and conducting a lot of research. As mentioned in a speech just now, we have also made reference to many overseas legislatures, including those in the United Kingdom, New Zealand, Germany and France, before putting forward the proposals this time around. While the designs may vary in different places, most of the Parliaments to which we have made reference actually tie the committee membership and the appointment of committee chairs with the composition of the House and the relative strengths of the political parties or groups represented in the House. From an international perspective, this can be considered as a basic practice. After allocation of committee seats, the political parties or the parliamentary groups concerned may then decide on their own how to select individual Members from their parties or groups to fill the committee seats. Therefore, I may say that reference has been drawn in respect of the current proposals to serve practical needs.

Deputy President, based on the operating experience of our Legislative Council in the past, to be frank, it is indeed easier for a committee to operate with a membership of 15 to 20. Why do I say so? If we look at the recently formed Bills Committee ("BC") on the improvement of electoral arrangements, we can see that the 14 members were really able to conduct business in a very effective manner, thereby enabling the Legislative Council to complete the scrutiny of such a complicated bill within a tight time frame. On the contrary, let us look at BC on the co-location arrangement which has 64 members and BC on the National Anthem Ordinance which has 62 members. I served on both of them. I remember very well that every time when these BCs convened a meeting back

then, what was the first things we had to do immediately after entering the conference room? Racing against each other to press the button. If we failed to press the button, we could then call it a day because we would never get a chance to raise a question on that day. There were 60-odd members at the meeting, with each of them being given four to five minutes. Besides, when members were given four minutes, they would always speak for five minutes; and when they were given five minutes, they would then speak for six minutes. As such, if we failed to press the button after entering the conference room, we basically stood no chance of raising a question. This is in fact a huge problem that came to our notice at every BC meeting in the Legislative Council in the past. For this reason, I think that the proposal to cap the size of Panels at 20 members and that of BCs at 15 members is appropriate. Of course, we particularly note that "unless otherwise decided by the House Committee" is added. This can preserve flexibility for the Council to make special arrangements as it conducts business. I believe this approach can guarantee that the Council will be able to deal with unexpected issues. In addition, the mechanism for allocation of seats in the current proposals is also very important. Apart from giving consideration to the strengths of various groupings in the Council as the basis for allocation, it also preserves flexibility and enables fair participation by all Members, including those who do not belong to any political parties. Hence, I support the mechanism.

Deputy President, in addition to the proposals on the membership and size of committees which I have mentioned just now, the current proposals also include the procedures for the election of chairmen and deputy chairmen, procedures for dealing with quorum calls and points of order, attire for Members attending Council meetings, and the requirements for display of objects by Members at Council meetings. There may be voices in society wondering why such detailed regulations are needed this time around. Deputy President, I wish to point out that these proposals precisely seek to address some problems that used to occur in the legislature of HKSAR and were seen by the community day after day. If Members had exercised self-discipline, these problems could have been resolved; but disappointingly, we have not resolved them in the past. This is exactly why we have to propose the relevant stipulations on this occasion to resolve the problems, so as to enable the Legislative Council to get back on track and restore its rules and order. Therefore, I support the current proposals.

I so submit.

DR CHENG CHUNG-TAI (in Cantonese): Deputy President, I cannot agree with the amendments made to the Rules of Procedure ("RoP") this time. This is based on three points: First, whether a legislature is a good legislature is not simply a matter of whether it is efficient. If we want to have an efficient legislature, strictly speaking, the most efficient approach is for the legislature to be united with the Government. However, the question is, apart from efficiency, what else should we consider?

Of course, the increase in the number of Members and the decrease in space is a practical consideration, but we should not trim our toes to fit the shoes. What I mean is: It is true that the number of Members has increased, but it is precisely because of the changes in our political system that I believe it is more desirable and more necessary for the legislature to better reflect the views of the minority in the community. On the present arrangement of capping the membership size, especially that of the standing committees or Panels—and more importantly that of the Bills Committees—there is a major shortcoming as this arrangement will highlight the hierarchy of the legislature. Why?

Deputy President, you can imagine that for a "singleton" Member with no political affiliation and no political alliance like me, it is necessary to join these committees with different terms of reference in the legislature, but now the cap is six committees, which is what we are discussing, or the cap of 20 members on the size of committees. Assuming that I am a grass-roots "singleton" Member, what committees can I join? I can join the Panels on Transport, Welfare Services, Housing, Education, Health Services and Manpower, but then, I cannot join the Panels on Constitutional Affairs, Development, Administration of Justice and Legal Services, and Security. This arrangement renders me, a Member representing the grass roots, unable to directly serve on some other committees to express public opinion. Of course, people may argue that even if Members do not serve on a particular committee, they still have the right to express their views and participate in the meetings. In the final analysis, we can say that the committees are only for making a political statement but have no actual effect. From this perspective, frankly speaking, the size limit of these committees does not have any specific political implications, and I agree to this.

However, as regards the part of the Bills Committee, how can the maximum number of members be capped at 15? Specifically, the Bills

Committee has actual legal functions in the legislative process. Simply put, take tenancy control as an example, if the size of the committee on tenancy control is limited to 15 members, then I doubt whether the committee can truly represent the minority opinion. To put it simply, is it possible that a group of Members returned by functional constituencies, probably representing the industrial and commercial sector, all join the relevant committee when the Government seeks to implement tenancy control? It may not be impossible. Of course, an ideal situation is that even in the pro-establishment camp, there may be representatives of respective interests. We may see it in this way, but whether there will be such a difference then, I do not know. However, with regard to the Bills Committee, if the maximum number of members of other committees, that is, the standing committees according to our understanding, is 20, why is the size of the Bills Committee being conferred with actual legal functions capped at 15 members? This underscores the flaw of the procrustean arrangement, which is to stifle the opinion of the minority.

Thirdly, as far as the whole amendment is concerned, this time I think ... About the dress code, how should I put it? I would not say it is incomprehensible, but I do not understand the motive behind it, nor do I want to make any speculation. Why is a Member's attire important? It is not purely an issue about whether we respect the legislature or not. In essence, the image of a Member can be reflected in the election, but now the election may not be able to reflect the image of a Member. As such, the Rules of Procedure requires that a Member must wear a tie or put a pocket square in the breast pocket to show that the Member still has an image and a professional appearance, is that right? I am sorry but I have to ask, to a certain extent, is this not exposing one's shortcomings instead? Furthermore, I do not understand why this amendment concerning the 90 Members in the future is decided by a group of people like us. Are we worried that the 90 Members in the future will comprise people who may represent ethnic minorities, women's rights or even those having the same image as "big aunties", and do we think that they should not appear in this Chamber? How can we decide the way they should dress? Respect is not defined in such a simple way.

I so submit.

MR CHRISTOPHER CHEUNG (in Cantonese): Deputy President, I support the proposed amendments to the Rules of Procedure ("RoP") in general. I think the amendments can further improve some of the inadequacies of the existing RoP and have also taken into account changes in the number of seats in the next term of the Legislative Council. Therefore, these amendments are indeed forward looking.

To begin with, I support the amendment to impose financial penalties on Members absent without valid reasons, and I find this amendment very appropriate. Although Members have to deal with a myriad of affairs every day and they may not be able to spare time very often, I do not think this is an excuse for not attending meetings, because it is the duty of Members to attend meetings, and this is the most basic requirement for Members. Just like a wage earner cannot be absent from work without a reason, Members of the Legislative Council, being representatives of the public, should not enjoy the privilege of being absent from meetings without a reason either. Instead, they should attend meetings punctually and spare no effort in doing their job as Members. Only by this can Members fulfil the public's demand and expectation on them.

Deputy President, this amendment can, to a certain extent, prevent Members from disrupting the legislature and obstructing policy administration of the Government by deliberately creating situations of meetings being adjourned due to a lack of quorum. I believe all of us are aware that in the past, some Members would frequently request a headcount and then leave the Chamber to deliberately create situations of meetings being adjourned due to a lack of quorum, so as to vent their emotions and achieve some of their goals. This has wasted a lot of the Council's time.

Though I believe that after improving the electoral system, all Members who can enter the legislature in the future are those who love the country and Hong Kong, and they would not deliberately create situations of meetings being adjourned due to a lack of quorum. Yet, "preparedness ensures success, unpreparedness spells failure". The amendments proposed this time around will at least provide us with some rules to follow, so that in case such a situation arises again in the future, we can impose financial penalties on the Members concerned in accordance with RoP and make them pay a monetary price for their actions, which is very necessary.

Second, I would like to talk about the amendments to set a cap on the membership size for committees and to specify that each Member can serve on a maximum of six Panels. I notice that some fellow Members have reservations about this, worrying that such amendments will restrict the rights of Members, a point to which I understand.

However, in my opinion, although the amendments would limit the membership size for committees, they do not restrict the right of non-members to attend meetings and participate in discussion. I also believe that the Government will treat everyone alike and it will make no difference between members and non-members when responding to their questions. Moreover, since the number of seats in the Seventh Legislative Council will increase from the current 70 to 90, I find these amendments acceptable in order to ensure the efficient operation of all Panels.

In addition, with respect to the amendments concerning the attire for Members attending Council meetings and the display of objects by Members at Council meetings, etc., I support these amendments since I think they will help uphold the dignity and image of the Legislative Council. I hope that with the continuous improvement of RoP, the Legislative Council can operate more smoothly and play a more effective role in the future.

I so submit.

MR CHAN CHUN-YING (in Cantonese): Deputy President, after the passage of the first batch of amendments to the Rules of Procedure and the House Rules in March this year, I will say that this second batch of amendments has great historical significance. As the number of seats in the next term (the seventh) of the Legislative Council will increase from the existing 70 to 90, some adjustments have been made to the number and mechanism for allocation of committee seats for more efficient operation of the Council in the future. As a member of the Committee on Rules of Procedure, I will support all the amendments proposed this time. I speak mainly to express my views on two aspects of the amendments, namely imposing penalties on Members absent from meetings without valid reasons and providing that Members shall dress in business attire when attending meetings.

Article 73 of the Basic Law sets out the 10 functions to be exercised by the Legislative Council. Although attendance at meetings is not included in the 10 functions, I believe no one will disagree that it is the fundamental duty of Members, as pointed out by Mr Christopher CHEUNG just now. Meanwhile, Article 75 of the Basic Law stipulates that the quorum for the meeting of the Legislative Council shall be not less than one half of all its members.

In the past, the time of Council meetings has been wasted constantly due to the frantic quorum calls made by Members of the opposition camp. Take the fifth Legislative Council as an example. In 2012-2016, 1 500 quorum calls have been made, which took 223 hours and resulted in 18 abortions of meeting.

The situation in the first few years of this legislative term has been in no way better. After the collective resignations of Members of the opposition camp last year, the frantic quorum calls have ceased. While the first batch of amendments to the Rule of Procedures passed in March could help alleviate the abuse of quorum calls, we still have to ensure the smooth progress of upcoming meetings and set up mechanisms to impose penalties on Members absent without valid reasons that result in an abortion of meeting.

According to the newly proposed amendments, if a meeting is aborted due to a lack of quorum, Members absent without valid reasons will be subject to a financial penalty which is equivalent to one day's remuneration of a Member. However, absence with valid and uncontroversial reasons, such as Council business-related duty visits, illness, maternity and paternity, will be exempted. According to the information provided by the Secretariat, the average hourly cost of Legislative Council meeting last year (2019-2020) was HK\$289,000. That means nearly HK\$600,000 of public money is wasted every time there is an abortion of meeting even if it is resumed within one to two hours. The financial penalty equivalent to one day's remuneration of a Member is approximately HK\$3,000, which is really insignificant compared with the cost wasted by an abortion of meeting. Yet, a financial penalty can remind Members of the importance of meeting attendance and that they should not be absent without valid reasons. In view of the frequent abortions of Council meeting in the past, I believe the public will approve the financial penalty mechanism.

Next, I would like to talk about the amendment requiring Legislative Council Members to dress in business attire. Contrary to what Dr CHENG Chung-tai said earlier on, business attire does not mean that tie and pocket square are compulsory. It serves to safeguard the dignity and uphold the image of the Council.

Rule 42(a) of the existing Rule of Procedures provides that all Members shall attend meetings of the Council properly attired and with decorum. However, there were no explicit provisions to prescribe the proper dress code. In the past, some Members often attended meetings in T-shirt or sportswear because of their personal considerations. This has gradually undermined the solemnity of the Council.

The amendments made to Rules 42(a) and 43 of the Rule of Procedures expressly provide that Members shall dress in business attire when attending Council meetings with a list of inappropriate attire including T-shirts, singlets, jeans, flip-flops, etc.

As a matter of fact, there are similar dress codes for parliament members in other countries. The parliaments of the United Kingdom, Canada, Australia and New Zealand all have their own practices and customs in regard to attire. According to the dress code issued by the House of Commons of the United Kingdom, Members who fail to dress in a way that shows respect to the House will not be called to speak or even be asked to withdraw from the Chamber.

Drawing up more specific guidelines to prescribe the proper dress code for attending Council meetings can prevent the Chamber from being turned into a venue where Members may enter and exit at will. This will help safeguard the dignity and uphold the image of the Council.

Deputy President, through the amendments made to the Rules of Procedure this time, I hope the work of the Council will be more regularized and efficient, and the public image of the Legislative Council can be re-established.

I so submit.

MR CHAN KIN-POR (in Cantonese): Deputy President, I support this motion proposed to amend the Rules of Procedure ("RoP").

For many years, the opposition had taken advantage of the loopholes in RoP to filibuster in the Legislative Council with the objectives of obstructing the administration of the Government, attacking pro-establishment Members and gaining political benefits. These loopholes have become a tool for political struggles.

Some people have asked why there are so many loopholes in RoP. The reason is simple. The existing RoP is inherited from the Legislative Council in the British-Hong Kong era when most of the Members were gentlemen who abided by the rules and in fact, back in those years nobody would dare to oppose the British-Hong Kong Government in such a way. Therefore, RoP were meant to guard against only the gentlemen but not the villains. So they did not need to be too specific, and the President would make a ruling in the event that a problem arose. For many years after the handover of sovereignty, the opposition had kept exploiting the loopholes of RoP and even distorted RoP, doing many ridiculous things and becoming more and more radical. They went so far as to paralyse the Legislative Council and finally even resorted to hurl "stink bombs". Today, as a result of these developments, we have no alternative but to amend RoP in order to plug these loopholes.

Deputy President, I support the amendments proposed to various rules today, including the attire of Members attending meetings. In places all over the world, officials and Members of parliamentary assemblies dress decently and appropriately when attending meetings. This is to show respect for the occasion and has a bearing on the overall image of the parliamentary assembly. It is a basic courtesy that actually does not need to be written in RoP, for Members should know what to do. However, in recent years, Members' attire has been really quite free and casual. Some of them may wish to express their spirit of defiance or to express their class and position, or they wish to attract attention. But these behaviours have in one way or another tarnished the solemnity of this Council and are extremely disrespectful to this Council and also to other people attending the meeting. Since there are people who do not know how to respect themselves, we have no alternative but to set out the attire requirement as if writing down a school rule.

Moreover, this Council has also proposed a specific mechanism to impose restrictions on the number of members of Panels and Bills Committees and also the method of their formation in the future. In fact, the next term of the Legislative Council will have 90 Members, and imposing a limit on the number of members of some committees is the only alternative when nothing else can be done. While these proposals made this time around have their pros and cons, they are the results of discussions by Members and are, therefore, worthy of support.

Having said that, I personally think some flexibility should be allowed in the implementation of the mechanism, and there should be some tacit understanding among Members for coordination to be made. It is because some Members do need to join Panels that are related to their sectors or main duties. For example, the Panel on Financial Affairs has at least three major components, namely, the banking industry, financial services industry and insurance industry. If the Members concerned cannot join the Panel, and imagine if Mr CHAN Chun-ying of the finance industry and Mr Christopher CHEUNG of the financial services industry are not members of the Panel on Financial Affairs, that may not be the best arrangement.

Besides, the Panels on Manpower, Commerce and Industry, Economic Development, and Development, also have similar situation. Of course, each Panel can have a maximum of 20 members and theoretically this should be enough for allocation. Some people may think that my worries are unwarranted but we cannot completely rule out the possibility that extreme situations may arise. Therefore, I think when the mechanism is implemented in the future, there should be coordination for the participation of the relevant Members as far as possible.

The Legislative Council used to have abundant room for policy discussions but as the opposition camp had never ceased to cause damages, we are now forced to tighten RoP, as in the case of the Hong Kong National Security Law which would not have been promulgated had there not been "black-clad violence" and collusion with foreign forces. All these developments were being forced to take place. I hope that Members can cherish the existing latitude. If there are continuous attempts to exploit the loopholes and wreak havoc, I am afraid that the latitude that we now have will only become narrower and narrower.

Thank you, Deputy President.

MR TONY TSE (in Cantonese): Deputy President, this is the fourth round of amendments to the Rules of Procedure made by the Legislative Council in recent years. The first three rounds of amendments were mainly directed at unreasonable filibustering by the "mutual destruction camp" in the past. The new round of amendments under consideration today is partly aimed at combating filibustering too, but there are also a number of forward-looking and more proactive proposals which seek to tie in with the newly improved electoral

system, rebuild the image and dignity of the Legislative Council, and further enhance the quality and efficiency of the proceedings of the Council. I support the aforesaid principles. However, no matter how the Rules of Procedure are amended or how well they are written, the most important thing is that Members should sincerely abide by them and know how to exercise self-discipline and self-respect. They should never act in a way that will tarnish the image of Members and dignity of the Council.

First of all, in respect of capping the membership size of various committees and subcommittees, with the increase in the number of seats in the next term of the Legislative Council to 90, the current practice of allowing Members to join different committees without any limit is obviously no longer feasible. In the past, some committees had almost 60 members. The speaking time of each member would possibly be only one or two minutes, making it difficult to achieve efficient and quality deliberations. However, even if the membership size of a committee and the number of committees each Member may join are limited, suppose Members who have signed up do not actively attend the meetings, or every time after sitting for a few minutes and having their attendance taken, they would just leave. They would not listen to the explanations and replies made by the officials or questions raised by other Members. Neither would they read the papers. In that case, regardless of the number of members of a committee, it will not help to improve the quality of policy discussion.

Concerning the dress code for Members, the Legislative Council was actually quite strict before the handover of sovereignty. Even collared T-shirts were not allowed. After the handover of sovereignty, the rules were gradually relaxed due to different factors, but the relaxation seemed to turn out to have gone too far. Short pants and T-shirts with slogans were allowed. As regards the display of objects during the course of a meeting, the situation was similar. Some of the props were insulting and allegedly advocated illegal acts. Now the relevant rules are tightened afresh so that we can focus on the content and rationale of Members' speeches, rather than trying to gain exposure through eccentric clothes or props, for which I express my absolute support. The proposed dress code for Members is only applicable to Legislative Council meetings and committee of the whole Council. In my view, other formal and public committee meetings should also impose certain requirements on Members' attire.

The Committee on Rules of Procedure has also proposed that if the Council is adjourned due to the lack of a quorum, Members absent without a valid reason should be fined. I do not have any objection to this principle. However, what is meant by being absent without a "valid reason"? I think prior written notice to the President on absence from the meeting should be included. The implementation of the proposed fine is certainly awaiting the Government's legislative amendment.

Lastly, I would like to talk about an issue which has not been touched upon in these four rounds of amendments. It is the scrutiny process of the Bills Committee. The scrutiny on the Bill on improving the electoral system was completed by the Bills Committee concerned in less than two months. It proves that as long as Members are willing to devote their time and efforts, even the most complicated Bill can be handled within a reasonable period of time. However, individual legislative proposals, such as the Bill on the introduction of waste charging and the one on prohibition of the sale of electronic cigarettes, have already been scrutinized for two to three years and the Second Reading is yet to be resumed. There is clearly a lack of efficiency. If Members have a strong view on a certain Bill and fail to convince the Government to make a change after a reasonable period of questioning and scrutiny, they may as well propose amendments on their own or oppose its Second or Third Reading. They should not delay it indefinitely. I hope the Committee on Rules of Procedure will explore the relevant issue in the future and set a reasonable time limit for the scrutiny of Bills.

Deputy President, I so submit.

DR PRISCILLA LEUNG (in Cantonese): Deputy President, every family has its own problems. Had the Hong Kong Legislative Council not fallen into the present uncivilized and chaotic state, I think our Committee on Rules of Procedure would not have proposed amendments to the Rules of Procedure ("RoP") time and again.

In fact, are the amendments made on this occasion the right remedy for the problem? In my view, after we have prescribed the remedy, we should allow some time for observation, since I think it is almost suffice. I have served on the Committee on Rules of Procedure for 13 years. Years ago, WONG Yuk-man

threw out a banana, the first time a Member had ever done so, and then more and more Members used foul language in policy discussion. Consequently, we saw the need to review the culture of conducting business in the Council.

Actually, the emergence of loopholes, so to speak, started as early as in 2004 when "Long Hair" entered the Legislative Council and wore T-shirts in meetings. The then President of the Legislative Council allowed Members to wear T-shirts. Since then, the situation kept worsening. I believe that back then, Mrs FAN had never imagined it would worsen to such a state today that someone would bring rotten eggs into the Legislative Council. As for the need to impose a fine for absence from the meeting, I remember that when we first discussed the issue, we mainly targeted those Members who had been warned repeatedly for misconduct. During our discussion, we also explored the feasibility of deducting their remuneration. At that time we considered it very difficult to do so, but today, as I can see, success hinges on effort. In fact, it is feasible. In my opinion, the most important task of a Member is engagement in policy discussion. Members' work is certainly multifarious. In particular, Members returned by geographical constituencies through direct elections have to visit the districts frequently. I believe that in the future when there are 90 Members in the Legislative Council, there can be further and better coordination in respect of tacit and mutual understanding in our work.

At that time we reviewed whether the requirement that the quorum for the meeting shall not be less than one half of all its members as stipulated in Article 75 of the Basic Law could exercise some flexibility, so that the meeting would not be aborted because of frequent requests for a headcount. We also studied the rules of procedure in the United States. The requirement in the United States applies when the meeting is in business. That means it is only when a vote is taken that a majority of all Members need to be present, and Members must come back by that time. It is necessary to get them back to the meeting no matter what. However, Article 75 of the Basic Law clearly provides that the quorum is the number of Members to be present for the meeting. We then have this question: What is meant by "for the meeting"? It seems not entirely definite. Can the requirement for a majority apply only when a vote is taken, just like the practice of others? If it entails a big move which may lead to, for example, an interpretation of the Basic Law in the future, I do not think such a move is necessary.

Hence, I think it is not a bad idea to adopt the penalty approach, that is, to impose a fine on Members. In the past, we had such an experience—at that time the Deputy President was present too—regarding the filibustering on as many as 1 000 amendments, we also coordinated in this way. A vote was taken every two minutes. In fact, through coordination, abortions of meetings will certainly reduce. In particular, with 90 Members in the new term, I am confident that this kind of uncivilized situations will be greatly reduced because all of us are patriots. Even if we have different views, we aim at the greater good.

Hence, I think when we revisit RoP, we should leave some flexibility and room for the President to make his political judgment. On the issue of attire, RoP 42 has already made it very clear. We should be properly dressed and behave with decorum in the first place. The provision has actually said everything. It is only that some people crossed the line. In fact, the way they dress certainly lacked decorum. Yet today, we need to state the obvious. Among the numerous amendments, I have some reservations about this one because I think that as time goes by, dress styles will change. For this reason, I hope that the future President of the Legislative Council will allow some room for examination of the dress code for Members.

Deputy President, I so submit.

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

(Dr Junius HO indicated his wish to speak)

DEPUTY PRESIDENT (in Cantonese): Dr Junius HO, please speak.

DR JUNIUS HO (in Cantonese): Deputy President, I support this motion to amend our Rules of Procedure. On 22 December 2017, we made a big breakthrough, and we were facing a very tough environment at that time, where a group of people in the Legislative Council, who claimed to be representatives of public opinion, were, contrary to expectations, working and behaving against public opinion. As I have said time and again, they made quorum calls, interrupted many speeches and behaved in a very disgusting manner at Council

meetings. As my colleagues have said earlier, the display of many objects was more of an insulting nature than a refined, sophisticated, peaceful and rational way of expression under the principle of democracy, and it was actually a way of insulting others and causing damage.

On 22 December 2017 around Christmas time, it could be said that we were still here, being on the alert and in fear of their violent attack. Fortunately, on 22 December 2017, we passed the first hurdle. The Basic Law provides that the quorum for the meeting of the Legislative Council shall be not less than one half of all its members, so what do we have to do? We can adjust the quorum of a committee of the whole Council, but the quorum of the Council meeting is still in compliance with the Basic Law.

After the first hurdle, by 26 March 2021, we had seen that the ugly behaviour of Dennis KWOK was really degrading to the family's reputation. What family's reputation am I talking about? He was a member of the legal profession, and a representative of the Legal Functional Constituency. His wisdom or performance represented that of a barrister. In fact, at that time, I persuaded him many times but to no avail. With him it was always "in one ear" ... and it was probably not even in one ear, not "in one ear and out the other". As for "in one ear and out the other", there was at least the process of contemplation, but with him it was not even in one ear, and thus the delay had made him notorious. I do not know if he is now in Canada or where he has fled to, but he had delayed the election of the chairman of the House Committee for more than half a year. At that time, after a week or two of delay, I already told my colleagues that we had to end the filibuster decisively, but at that time our colleagues still thought that we should not worry and see how he would perform. Before my voice had died away, the Spring Festival came, followed by Easter; and after Easter, we had yet to return to normalcy. Finally, we solved this problem in May. The amendments were focused on filibustering.

This time, on 14 July 2021, we are discussing ways to counter the abuse of procedures. Upon hearing "a point of order" one after another, one must be trembling deep in his heart. What sort of trembling am I talking about? I am talking about trembling with anger; not with timidity, but with anger. As the voices calling for "a point of order" all came from that side, I suffered hearing loss in my right ear to a certain extent.

Moreover, the annoying clanging of the quorum bell may not be completely solved this time, but there are seven proposals that I fully agree with, including: no interruptions; the decision of the chair shall be final, and no interference with other procedures; dress properly; do not behave in a way that will cause damage to one's reputation, image, and so on. As for the allocation of seats in Bills Committees formed by the House Committee and Panels, since we have all tried to "grab the first seat" or compete for the chairmanship by getting a chair and queuing up, this motion is to address this mischief, this major problem, and I think it gives little cause for criticism. I fully support this motion. I so submit.

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

(No Member indicated a wish to speak)

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

MR PAUL TSE (in Cantonese): Deputy President, I thank the many colleagues who have spoken enthusiastically. I will not repeat the points that have been made and answered. But there are three points that no one has talked about, and perhaps let me add a few words.

First, Dr CHENG Chung-tai asked why we should draw up rules for the next term of the Legislative Council. This, I believe, is common sense. Whether in respect of administrative arrangements, remuneration or other rules of procedure, basically there is a chance that rules may have to be set out first for other people. Members of the next term can change them if they wish to, and I believe Dr CHENG Chung-tai has not clearly thought about this, for this is just common sense.

Second, regarding Mr Michael TIEN's view that the performance and efficiency of each Member should be monitored by voters, while it sounds like that this should be the case, I would like to add that firstly, voters only have the chance to vote every four years and so, there is often a long time lag; secondly, human memory is short, and what they have done in four years will not be

remembered four years down the line, though those showing a good performance a few months before the election may perhaps leave a good impression on the voters. Certain organizations may have been disbanded now, and they very much liked to keep watch on which committees Members had joined as well as their attendance rate. But there had been many unfair phenomena in this regard, and more often than not, their findings were based on what might be superficial records, or the Legislative Council actually did not keep records of the time during which Members were present at meetings and so, their findings might be quite superficial. I also noticed that some colleagues very much liked to state on their leaflets the number of committees that they had joined in that term of the Legislative Council, setting out a series of committees. But these numbers turned out to be quite exaggerated as they only signed up to join the committees without attending meetings or doing any work, and this was very common in the past. So, if it is on this ground that the rules should not be tightened a bit to enhance our efficiency, I think it is not quite acceptable to me.

A particular benefit is ... I would like to talk about the valid membership size of committees. The proposed numbers of 15 or 20 members are actually quite a lot. I am not talking about the drinking game. I am referring to the number of members. If there are too many members, apart from insufficient speaking time as mentioned by some colleagues, I have always noticed that in my impression, a particularly diligent Member is Ms Emily LAU who has left this Council. I remember very clearly that she would sit through meetings of every committee. What I mean is that she was mostly present at a meeting from its beginning to the end. The advantage of so doing is that not only can Members truly participate in the committee, but they also have to be well prepared, and after listening to the whole meeting, they can respond appropriately and even conduct solid debates, rather than just leaving after stating their views. What is more, the officials will have better feelings as they will feel that the committee is listening to their views and conducting dialogues with them seriously and that Members do not attend the meeting simply to give their views and then consider their job done or even walk away.

On the whole, this can improve the quality of the committees and enhance the effectiveness in monitoring the Government. An example is that, as I have said to many colleagues, regarding the improvement of the electoral legislation, although it involved most complicated amendments and a large amount of work and we had to spend a very long time on it and the work required of us was all taxing and heavy, if we could all attend the meetings to exchange views, the

result should indeed be much better. This personal and relatively recent experience has made me think that in order to bring the committee system into better play, the membership size of a committee really cannot be too big, nor can we allow too many Members to join too many committees. If everyone can join any committee, sometimes if a Member does not join some committees, it may seem that the Member is somehow not performing his role properly. But if restrictions are imposed, Members can do their own job at ease. If, as in the past, Members can join four to six committees of their own choice, this is actually more appropriate and more desirable for the sake of efficiency.

Deputy President, another issue that I would like to mention in passing is about Bills Committee, and as Dr CHENG Chung-tai has said, it is particularly important because of its possible influence on the voting. Indeed, Bills Committee is more important, but what I have just said about efficiency is a point that proves otherwise. Besides, what is more important and truly pivotal is Council meetings, because at Council meetings, Members are at liberty to propose amendments and in theory, they can make an address or give a speech on any issue, and also vote, which can really influence the position or outcome and so, Council meetings are important. A Bills Committee is just a task force, an effective task force for members to carry out work and conduct deliberations seriously. It is not a place for exercising powers. Therefore, Dr CHENG Chung-tai's worries are unwarranted, for this is not a big problem. The quorum requirement for a Council meeting in Hong Kong is unique because such a high requirement is not found anywhere else in the world. Under these circumstances, if the Basic Law will not be amended, the only option is to minimize mechanisms whereby quorum calls may be abused. I hope that Members will understand it. Thank you, Deputy President.

DEPUTY PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Paul TSE be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(A Member raised his hand)

Dr CHENG Chung-tai rose to claim a division.

DEPUTY PRESIDENT (in Cantonese): Dr CHENG Chung-tai has claimed a division. The division bell will ring for five minutes.

(While the division bell was ringing, THE PRESIDENT resumed the Chair)

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Mr Abraham SHEK, are you going to vote?

(Mr Abraham SHEK cast his vote)

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Jeffrey LAM, Mr WONG Ting-kwong, Ms Starry LEE, Mr CHAN Kin-por, Mr Steven HO, Mr Frankie YICK, Mr YIU Si-wing, Mr MA Fung-kwok, Mr Christopher CHEUNG, Mr Martin LIAO, Mr POON Siu-ping, Ir Dr LO Wai-kwok, Mr CHUNG Kwok-pan, Mr Jimmy NG, Mr Holden CHOW, Mr SHIU Ka-fai, Mr CHAN Chun-ying, Mr LUK Chung-hung, Mr LAU Kwok-fan, Mr Kenneth LAU and Mr Tony TSE voted for the motion.

THE PRESIDENT, Mr Andrew LEUNG, did not cast any vote.

Geographical Constituencies:

Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin, Mrs Regina IP, Mr Paul TSE, Mr CHAN Han-pan, Mr LEUNG Che-cheung, Ms Alice MAK, Mr KWOK Wai-keung, Ms Elizabeth QUAT, Dr CHIANG Lai-wan, Dr Junius HO, Mr Wilson OR, Ms YUNG Hoi-yan, Mr CHEUNG Kwok-kwan and Mr Vincent CHENG voted for the motion.

Dr CHENG Chung-tai voted against the motion.

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present and 23 were in favour of the motion; while among the Members returned by geographical constituencies through direct elections, 17 were present, 16 were in favour of the motion and 1 against it. Since the question was agreed by a majority of each of the two groups of Members present, he declared that the motion was passed.

PRESIDENT (in Cantonese): Member's motion with no legislative effect.

Mr Holden CHOW will move a motion on "Commencing a new phase in Hong Kong's development of re-industrialization".

Mr Jimmy NG will move an amendment to the motion.

This Council will proceed to a joint debate on the motion and the amendment.

Later, I will first call upon Mr Holden CHOW to speak and move the motion. Then I will call upon Mr Jimmy NG to speak, but he may not move the amendment at this stage.

The joint debate now begins. Members who wish to speak please press the "Request to speak" button.

I now call upon Mr Holden CHOW to speak and move the motion.

MOTION ON "COMMENCING A NEW PHASE IN HONG KONG'S DEVELOPMENT OF RE-INDUSTRIALIZATION"

MR HOLDEN CHOW (in Cantonese): President, today, I propose a motion debate on "Commencing a new phase in Hong Kong's development of re-industrialization".

First of all, on behalf of the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB"), I would like to thank the following people, including Mr Jimmy NG, Member of the Legislative Council from the industrial sector, Dr Daniel YIP, Chairman of the Federation of Hong Kong Industries, Prof TANG Hei-wai from the Hong Kong University Business School, the Vocational Training Council ("VTC"), the Hong Kong Productivity Council and a group of stakeholders from the local industrial sector, for giving me a lot of valuable guidance and advice over a period of time, which has enabled me to complete this study proposal on "Re-industrialization of Hong Kong". The proposal has been sent to Members earlier for reference, and I welcome Members' comments. A press conference on the report was held yesterday and the report has also been uploaded to my Facebook page. If members of the public are interested, they are welcome to download this research report on "Re-industrialization of Hong Kong".

President, Hong Kong's economy has long tilted towards the finance and real estate industries, and has been criticized for its uniformity in industrial structure as well as lacking the momentum to drive economic growth. These are the problems that need to be solved. In order to promote industrial diversification in Hong Kong, create new room for economic growth and, in particular, to provide more employment opportunities for young people, I propose a motion debate on "Re-industrialization of Hong Kong" today. By means of this motion debate, I mainly hope to urge the Government to consolidate the development opportunities arising from the 14th Five-Year Plan and the massive investment in innovation and technology. In addition, the pace of promoting the development of Industry 4.0 in Hong Kong can be stepped up in the future.

President, first of all, I have to stress that when we talk about the re-industrialization of Industry 4.0 today, we definitely do not mean going back to the labour-intensive industries of the 1960s and 1970s in Hong Kong, nor do we mean going back to those labour-intensive "plastic-flower making" industries or the manufacturing of some low value-added products. The Industry 4.0 we are

talking about today is the use of new technology and smart production lines to produce high yield, high quality and high value-added products with reduced use of land. There is no way out to "compete for the cheapest prices", so we are talking about "competing for quality". Meanwhile, through this Industry 4.0, it is hoped that more jobs and job types involving different skill contents can be created, including job types requiring knowledge in technology application, so that more jobs can be created for young people.

DAB believes that the future Industry 4.0 in Hong Kong should be developed in two directions in parallel. First, the promotion of "intelligentization" of traditional industries. Second, to the promotion of the research, development and production of products with new and high technology. These two major development directions should go in parallel.

Let me start with the "intelligentization" of traditional industries. At present, many traditional manufacturing industries still have their base in Hong Kong, but they have gradually moved towards the use of smart production lines. These include the food processing and manufacturing industries and some of Hong Kong's health-related pharmaceutical industry, which still hold fast to their position in Hong Kong. In fact, their products are exported overseas in large quantities with positive word of mouth, building good reputation for the Hong Kong brand. I will use the food processing industry as an example to illustrate my point. Currently, there are some 1 400 enterprises engaging in food processing industry in Hong Kong, employing close to 29 000 employees. In 2019, the total export value of the food processing industry was as high as HK\$53.8 billion, of which 47% were exported to the Mainland. The reason for this is that customers, both in the Mainland and overseas, have confidence in the food safety standards of processed food products produced in Hong Kong. We attach great importance to food safety standards, which is considered a manifestation of high quality.

President, if we look at other successful industrialized regions in the world, such as Israel, they have done a good job in supporting the upgrading of traditional industries and adopting smart production lines. For example, in 2015, Israel conducted a survey and found that there were more than 10 700 enterprises engaging in the traditional manufacturing industry of making traditional leather products, and the Israeli Government committed resources and funds to assist them in installing smart production lines. As a result, 1 300

applications were approved within a very short period of time. As a result, all these enterprises were upgraded and transformed with new smart production lines, which have improved the quality of their products.

President, next, we have to talk about what measures should be taken to support the intelligentization of traditional industries in the Industry 4.0. First of all, I hope that the SAR Government will set a target percentage for the local manufacturing industry in terms of GDP. In fact, setting a target percentage can help us measure the performance and results of policies. With a set target, society as a whole will gain confidence once they see that the target is achieved, and this will also facilitate the promotion of policy arrangements.

On the other hand, we hope that the Government can provide more industrial land. Of course, we note that the Advanced Manufacturing Centre in Tseung Kwan O is expected to be completed next year (i.e. 2022). However, we think there can be more options, including the 57 hectares of land already reserved for enterprise and technology use at San Tin/Lok Ma Chau Development Node in New Territories North. The site can complement the development of high-end manufacturing in the Lok Ma Chau Loop while providing support for some traditional industries by allowing them to relocate their factories there with new smart production lines, which, together with centralized logistics and sewage support, can form a new industrial cluster. These are a number of valuable suggestions made by representatives of the industrial sector during our visits, and we hope that through today's debate, we can reflect them to the Bureau.

Of course, the merit of New Territories North is its proximity to the Mainland, and these logistics support facilities will certainly be conducive to the progress of Hong Kong. The Man Kam To Logistics Corridor is definitely an option that can be considered, and we hope that the Bureau will heed our views.

In addition, we hope that the authorities will provide some tax concessions, including a tax cut, say, for example, the tax rate applicable to the aircraft leasing industry has been lowered to 8.25% earlier. Apart from the \$2 billion Re-industrialisation Funding Scheme launched by the Government to subsidize enterprises to set up smart production lines, I think the authorities can increase the funding support and perhaps consider reducing the profits tax rate for those manufacturing enterprises which have already set up smart production lines in their plants.

Finally, due to the time constraint, I would like to briefly state my last suggestion. We think that publicity must be stepped up as many people in Hong Kong still have the impression that industries are referring to the old labour-intensive industries of the 1960s and 1970s, and they know nothing about the new Industry 4.0 smart production. I think we should step up publicity with VTC to let people know what the new industries are all about, what the IT technology used is all about, and what the skilled workers engaged are all about. As in the case of Germany and Austria, they attach great importance to skilled talents who are highly regarded by society.

Lastly, there are some points which require further promotion in Hong Kong. It is noted that some foreign companies have set up factories in Hong Kong, including an Italian company which has chosen to set up a factory in Yuen Long, set up smart production lines for the production of some high-end security products. The authorities should step up publicity in these areas to let the public know that Hong Kong can achieve the Industry 4.0 re-industrialization work.

I hope to hear more Members expressing their views today. After that, I will give my supplementary comments. With these remarks, I propose the relevant motion.

PRESIDENT (in Cantonese): Mr Holden CHOW, please move your motion.

MR HOLDEN CHOW (in Cantonese): President, I move that the motion, as printed on the Agenda, be passed.

Mr Holden CHOW moved the following motion: (Translation)

"That the Government has been actively promoting re-industrialization in recent years by rolling out various infrastructure projects and funding schemes for the development of advanced manufacturing industry based on new technologies and smart production; in this connection, this Council urges the Government, on the existing basis, to formulate a categorical medium-to-long-term development strategy for Industry 4.0, such as fostering the 'intelligentization' of traditional industries and promoting smart production with the use of new and high technologies, and to further provide appropriate support measures, including the

provision of industrial sites that can achieve clustering effect and assistance to Hong Kong's manufacturing industry for exploring more overseas markets (such as the Association of Southeast Asian Nations markets); at the same time, the Government should actively strive for collaboration with Shenzhen and other Mainland provinces and municipalities, in a bid to enhance the recognition of Hong Kong's development of manufacturing industry and expand its room for business."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Holden CHOW be passed.

MR JIMMY NG (in Cantonese): President, first of all, I would like to thank Mr Holden CHOW for proposing this very meaningful motion debate on "Commencing a new phase in Hong Kong's development of re-industrialization" at a time when the current Legislative Council is about to stand prorogued. I fully agree with what Mr Holden CHOW has said in his original motion, and I have proposed my amendment because I would like to add a few points from the industry's perspective for further consideration by my colleagues of this Council and government officials, so that we can work together to improve the policy measures on "re-industrialization".

As we all know, Hong Kong has always been known as an international financial centre and a trading and shipping hub, and has been actively developing innovation and technology industries in recent years. However, due to the slow growth of Hong Kong's economy in the past decade or so, not only is the growth of the four pillar industries sluggish, but the development of the six industries where Hong Kong enjoys clear advantages is also not yet mature. Among them, the share of pure innovation and technology industries in GDP only increased from 0.7% in 2008 to 0.9% in 2019, which is even less than the 1.1% contribution to GDP by traditional manufacturing industries. In order to maintain Hong Kong's competitive edge, the Government has to catch up in the area of innovation and technology, and this is the first time that the Central Government has proposed to support Hong Kong's development as an international innovation and technology hub in the 14th Five-Year Plan announced in March this year, so all industries must make good use of technology to keep abreast of the latest trend.

According to a study conducted by the Chinese Manufacturers' Association of Hong Kong, Singapore, Taiwan and South Korea have all, in the wave of industrial relocation, retained a considerable manufacturing industry accounting for anywhere from one-fifth to one-quarter of the economy, and have been able to break away from the traditional capital- and labour-intensive manufacturing industry with continuous investment in innovation and technology to form a globally competitive high-end manufacturing industry. On the contrary, Hong Kong's manufacturing industry has completely relocated to other places and its economic structure is seriously unbalanced. Therefore, unlike the transition from an agricultural economy to the manufacturing industry in the 1960s and the transition from the manufacturing industry to the service industry in the 1990s, Hong Kong must undergo a third economic transformation, which is believed to be inseparable from the revitalization of the manufacturing industry by means of "technology+industry", thereby promoting the intelligentization and upgrading of traditional industries.

I will now share my views on the other two proposals in the amendment.

Regarding "to support local start-ups in fostering the commercialization of their research and development achievements", I think the Government should encourage Hong Kong research companies to accord priority to promoting and transferring their research results to local enterprises, and facilitate the use of local technologies by the industry through the provision of incentives and assistance. Take the local testing and certification industry as an example. The Government should provide more resources to support the local testing and certification industry to cope with "re-industrialization" and epidemic prevention and control. At the same time, it should encourage local universities, research institutes and enterprises to jointly establish a partnership platform, provide a talent pool, and train more testing and certification talents to enhance support for quality testing, inspection and certification services in various industries.

Let me give another example. Atmosphere, talents and markets are indispensable for the commercialization of innovation and technology. In the 2017 Policy Address, it was proposed that "Government to lead changes to procurement arrangements. We will explore the inclusion of innovation and technology as a tender requirement and will not award contract only by reference to the lowest bid, so as to encourage local technological innovation. " But after so many years, the Government has been so slow in optimizing its procurement policies and procedures that some members of the local innovation community cannot help but exclaim that it would be strange if even their own Government

did not take the lead in supporting scientific research achievements that were made in Hong Kong. Therefore, the Government must be exceptionally vigorous in coordinating and promoting the procurement and application by government departments of information and technology products and solutions from local start-ups and small and medium-sized enterprises ("SMEs"), and provide technical, financial and venue support, thereby creating more business opportunities for local start-ups and SMEs.

We should introduce a research and innovation system based on cooperation among the government, industry, academia and research institutes, with the aims of assisting enterprises in adopting new ways of production and sales and new product development. We should also establish "Processing Trade Zones" and innovative industrial parks commonly known as "Enclaves of Hong Kong-Invested Manufacturing Industry" in neighboring cities in the Greater Bay Area, so as to reduce the cost of enterprises initiating upgrades towards Industry 4.0 and achieve synergy among the government, industry, academia and research institutes.

With these remarks, President, I support the original motion and hope that Members will support my amendment.

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Cantonese): President, I thank Mr Holden CHOW for proposing today's motion debate and Mr Jimmy NG for making the supplementary comments just now, so that the Council may conduct an in-depth discussion on the promotion of Hong Kong's re-industrialization. I very much agree that Hong Kong has to promote re-industrialization and develop advanced manufacturing, which is less land or labour-intensive, based on new technologies and smart production. This will definitely be conducive to further stimulating the demand for research and development ("R&D"). It will also create quality employment opportunities for young people and drive the diversified development of the Hong Kong economy. Hence, the Government has adopted a multi-pronged approach to promote the re-industrialization process in Hong Kong.

With Hong Kong's strong capabilities in R&D and advantages of high degree of internationalization and marketization, the current-term Government has been taking forward relevant work in five areas, namely infrastructure, talent, capital, technology and scientific research, since the assumption of office.

On infrastructure, the Hong Kong Science and Technology Parks Corporation has been developing various facilities in industrial estates, with a view to fostering high-tech smart production. In addition to the Advanced Manufacturing Centre mentioned by Mr CHOW just now, a centre for manufacturing medical products, a Precision Manufacturing Centre and a Microelectronics Centre will be completed successively in the coming year or two. In the long run, the Government will also reserve sufficient land to meet the increasing demand for land for R&D and related advanced manufacturing industries in Hong Kong.

On talent, the Government launched the Reindustrialisation and Technology Training Programme in 2018, which funds local enterprises on a 2 (Government): 1 (Enterprise) matching basis for local staff to receive training in technologies, especially those related to Industry 4.0.

On capital, the Government launched the Re-industrialisation Funding Scheme last year, which subsidizes manufacturers, on a 1 (Government): 2 (Company) matching basis, to set up new smart production lines in Hong Kong. The funding amount for each project is capped at \$15 million.

On technology, the Hong Kong Productivity Council ("HKPC") is committed to customizing smart production lines for local enterprises and Hong Kong companies in the Mainland and assist traditional industries in technology upgrades. HKPC has also established The Hatch in collaboration with the pioneer of Industry 4.0 worldwide—the Fraunhofer Institute for Production Technology of Germany—to assist the industry in accelerating the adoption of technologies related to Industry 4.0. Meanwhile, the Industry 4.0 Upgrade and Recognition Programme also assists enterprises in setting up smart production lines.

On scientific research, the Government has been supporting and promoting R&D, as well as assisting enterprises in upgrading their technological level through the Innovation and Technology Fund. Moreover, the five R&D centres established by the Government will also continue to work on applied R&D related to re-industrialization in close collaboration with the industry, thereby fostering the commercialization of R&D outcomes.

On the other hand, the Government has been assisting small and medium enterprises ("SMEs") to explore business opportunities through upgrading and transformation. The Dedicated Fund on Branding, Upgrading and Domestic

Sales under the Trade and Industry Department ("TID") subsidizes enterprises to enhance their competitiveness and business development through branding and promotion, technology upgrade and establishment of production line, etc. Moreover, the SME Export Marketing Fund under TID provides financial support to encourage SMEs to develop local, mainland and overseas markets through participation in promotion activities such as exhibitions and business missions.

Although it may take some time for the above mentioned measures to bring their effectiveness into full play, many entrepreneurs have already expressed interest in investing in smart production. Some members of the industry are actively upgrading their existing production lines towards Industry 4.0.

President, Dr Bernard CHAN, the Under Secretary for Commerce and Economic Development, and I will listen attentively to Members' speeches on the motion and give a response later on. Thank you, President.

IR DR LO WAI-KWOK (in Cantonese): President, first, I thank Mr Holden CHOW for proposing the original motion and Mr Jimmy NG for proposing the amendment.

President, there have been views from the industrial and commercial sectors in recent years that the economic structure of Hong Kong is too unitary. Re-industrialization can be the new points of economic growth for Hong Kong. The Government announced the establishment of the Committee on Innovation, Technology and Re-industrialisation in April 2017 with a view to coordinating and promoting innovation and technology development and re-industrialization at a higher level. I am also glad to see that the current-term Government has adopted a number of suggestions made by the Business and Professionals Alliance for Hong Kong over the years in regard to supporting the business and professional sectors. The Government launched the Re-industrialisation Funding Scheme in July last year to subsidize manufacturers to set up new smart production lines in Hong Kong on a matching basis. Meanwhile, the Hong Kong Science and Technology Parks Corporation is developing an Advanced Manufacturing Centre in the Tseung Kwan O Industrial Estate and a Microelectronics Centre in the Yuen Long Industrial Estate. Both centres will be completed in the coming two years, providing a total of more than 140 000 square meters of floor space for smart production and high-end manufacturing. However, the supporting policies and measures to promote re-industrialization are still insufficient and the pace must be accelerated.

President, the urgent task now is to formulate a longstanding and clear macro industrial policy expeditiously to define the medium and long-term development strategies under Industry 4.0. Industry 4.0 mainly refers to the intelligentization of the industrial process, as well as the integration of smart system, the production process and the logistic chain by using cloud platforms, the Internet of Things and big data to achieve smart production and green manufacturing. The Administration should provide comprehensive supporting measures, including taxation, technology, talent and market supports, to attract industry's investment in scientific research, with a view to expanding the investment in innovation and technology, improving mobile network, further developing the regional data hub and supporting start-ups, etc. The intelligentization, upgrading and transformation of tradition industries should be promoted, while advanced manufacturing based on new technologies and smart production should also be developed.

In order to effectively promote re-industrialization, I think Hong Kong should adopt a broad regional perspective and actively participate in regional cooperation. The "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" issued in March this year repeatedly mentioned the need to further carry forward low-carbon transition in the areas of industry, construction and transportation; focus on enhancing industrial innovation capabilities; and deepen digital application in R&D design, manufacturing, business management and market services, etc. Meanwhile, Hong Kong should complement the development of the Guangdong-Hong Kong-Macao Greater Bay Area and expand the room for its industrial development.

According to the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Greater Bay Area, one of the cooperation objectives of the Guangdong-Hong Kong-Macao Greater Bay Area is to develop technology and industrial innovation centres, as well as an advanced manufacturing and modern service industries base; while the key areas for cooperation include promoting synergistic development, and building a green and low-carbon innovative and modern system of industries. In my opinion, through complementarity of edges, Hong Kong can focus on developing areas with obvious competitive advantages, while enhancing the flow of people, logistics, capital and information in the Greater Bay Area, participating in

achieving the industrial goals in the "14th Five-Year Plan", as well as promoting the commercialization of technological achievements, industrialization of commodities and internationalization of industries.

Moreover, re-industrialization requires a well-trained labour force. The Government should allocate resources to nurture industrial talents according to the medium and long-term manpower needs, improve vocational and professional education and training, and encourage students to study subjects related to science, technology, engineering and mathematics.

With these remarks, President, I support the original motion proposed by Mr Holden CHOW and the amendment proposed by Mr Jimmy NG.

DR CHIANG LAI-WAN (in Cantonese): President, I am very grateful to Mr Holden CHOW for proposing the motion of "Commencing a new phase in Hong Kong's development of re-industrialization" today. In fact, all of us who are much older than Mr Holden CHOW feel very saddened because we know that Hong Kong should have developed, considered and implemented industrial innovation as well as upgrade 30 years ago, that is, in the 1980s and 1990s when the northern migration of industries started to take place. But why has the Government not done so? Why has the Government been dragging its feet and wasting time, so that a young man in his thirties has to propose such a motion? In those years, Hong Kong ranked the first among the Four Little Dragons of Asia, and our light industries were the most buoyant in the world with a very large export volume. However, in the blink of an eye, these light industries have gradually migrated northward because of various problems such as manpower, etc.

Yet, Hong Kong can definitely develop other industries. For instance, let us take a look at the other three Little Dragons, the manufacturing industry now accounts for 20% to 30% of their gross domestic product ("GDP"). But how much of Hong Kong's GDP comes from manufacturing? It is 1%. What has the Hong Kong Government done? Speaking of industrial development, it has done nothing! I can recall that many Members of the former government, especially Sir CHUNG Sze-yuen, have said that Hong Kong was so emboldened because we had the manufacturing industry. As we had manufacturing industry, so, whenever the Hong Kong economy faced any crisis, whether it was the oil crisis, etc., what did we rely on? We relied on our manufacturing industry to go global. Now that amid the epidemic, we have to rethink, what else can we rely

on to go global? Can we go out to attract visitors? What are we looking for? No, now we can only rely on people to come, and we are here every day wondering whether it is possible to have more visitors and are longing for more people to come. Therefore, let us think about it, we have really missed a lot of opportunities for nothing.

We have invested over \$100 billion in technological innovation in the past two decades. I have heard the Chief Executive take great pride in saying that our R&D expenditure has reached a certain percentage of our GDP. It is true that the expenditure has reached a certain percentage of GDP, but at the same time, the growth in the percentage of GDP brought about by the benefits should also be considered. Why has it not increased but dropped to 1% on the contrary? So, the score for this part is even zero, meaning a failure!

Anyway, bygones are bygones. I am more optimistic, I always hold the view that no matter what one has done wrong in the past, no matter how wrong one has been, and no matter what one has not done, it does not matter as long as we have the will to do that again. Rightly as Mr Holden CHOW has said, could we formulate a new set of medium- and long-term plan? We can definitely achieve it if we are determined to do so. Hong Kong people are very flexible, Hong Kong is not without talents. We do have talents, but we need to develop with the right focus. The problem is, Secretary SIT, I would not blame you for the situation in the past, and I would not reproach you, because I know you are a very pro-active and conscientious young man who aspires to make achievements. But I have to tell you, many things have gone wrong in the past, two among them are: First, we have taken a diversified approach and invested in everything, but other places have focused their investment on areas such as electronics, whereas Taiwan or Singapore focuses on chemicals, etc. Even in the Mainland, Zhongshan specializes in lights while Foshan specializes in electrical appliances ... What has Hong Kong done? We have pursued this and that, and then fetch up nowhere in the end, because upstream and downstream operations as well as all sorts of ancillary activities are necessary for every industry. We cannot make it if we do something suddenly. Hence, I think you should work with a focus, and in what areas does Hong Kong enjoy an advantage? In the meantime, what Hong Kong is doing quite well in the international arena includes food, healthcare products and pharmaceuticals. In fact, this is definitely an opportunity. I hope that we can focus on the development of one or two industries with our full strength to make Hong Kong a success and to commence the re-industrialization in Hong Kong successfully. Thank you, President.

MR LUK CHUNG-HUNG (in Cantonese): President, I rise to speak in support of the motion debate on "Commencing a new phase in Hong Kong's development of re-industrialization" proposed by Mr Holden CHOW.

We can see from this epidemic that re-industrialization is highly important, since the whole world was scrambling for masks. As Members may recall, early last year, even masks as thin as toilet paper were sold at \$4 to \$5 each, and some unscrupulous businessmen blatantly pushed up the price of better quality masks to \$10 each. All in all, one of the reasons was that there was no local production in Hong Kong. For this reason, the Hong Kong Federation of Trade Unions ("FTU") conducted an experiment. With no support from the Government, we sought sponsorship, sourced materials and set up a factory on our own to make our own masks, which was an actual implementation of local re-industrialization. During the implementation, we realized that it was by no means easy. Even though it was just the production of a mask which looked very simple, we still had to do it because in times of emergencies, we could only rely on ourselves. Moreover, re-industrialization could provide wage earners, especially young people, with pretty good development prospects.

Certainly, times have changed. Our industries can no longer adopt the labour-intensive model as in the past. They must take the path of intellectual property and high technology. FTU has earlier proposed that the Government should set up a New Start Committee, putting forward a systematic advocacy and vision to revive the economy, reform the industries and promote re-industrialization, so as to dovetail with the country. Our country has the largest industrial output in the world. Our great Motherland has the most comprehensive industrial system in the world. All industrial models in the world can be found in our country. Therefore, against this background, Hong Kong actually has a considerable basis for re-industrialization, coupled with an excellent historical tradition. Of course, we cannot get stuck in a rut. We need new initiatives. What new initiatives do we need? One of them is the mindset of removing barriers and restrictions.

In 2016, the Government already proposed measures for re-industrialization, and I consider one of them vitally important, which was to strengthen cooperation with institutions. At present, the Hong Kong Applied Science and Technology Research Institute ("ASTRI") has been established, but experts in the field opine that ASTRI has failed to give full play to its functions

and achieve the effect of revitalization of industries. On the other hand, there is also the view that local universities do not collaborate well with ASTRI and the industries. Although our GDP on research and development ("R&D") has gradually increased, the proportion of transformation into industrial businesses is far lower than that of Japan, Korea and our Motherland. Why is the proportion so low?

One of the views I heard from the sector is that there are not too many projects which enterprises can initiate for joint R&D with the universities. Why? Some university professors have told me that if they need to chase KPI in the university, they will have to submit theses instead of engaging in R&D or industrialization. If they do such work, they may not be able to write a satisfactory thesis, lead the PhD or master-degree students properly and deliver their job. Another situation is that even if they can conduct research, succeed in inventing a product, obtain a patent and carry out industrialization, it is possible that 80% of the proceeds will go to the university. A percentage is set for the share of proceeds. These academics, doctors and professors think that the system in schools is relatively rigid. It is not conducive to their teaching in universities on the one hand and doing R&D outside on the other. In this regard, it is hoped that the barriers and restrictions can be removed such that with the concerted efforts of ASTRI, more industrial research can be put into practice.

Besides, we should give play to our local traditional advantages, including those in biotechnology, foodstuffs, medical supplies and, in particular, precision machinery production. We enjoy an edge, since prototype testing requires specialized manpower. We can make prototypes, followed by production on the Mainland, thereby boosting the economies of both places.

Lastly, we very much hope that the Government will not drag its feet in promoting re-industrialization. A recent example is that the Housing Authority is going to demolish four industrial buildings, but the compensation and relocation arrangements have not been settled yet, for which we are quite worried. Will those 1 000-odd tenants in the industrial buildings ... sorry, will more than 2 000 small enterprises close down? I hope the Government will face the issue squarely.

I so submit. Thank you, President.

DR CHENG CHUNG-TAI (in Cantonese): President, regarding a new phase in Hong Kong's development of re-industrialization, the final example in Mr LUK Chung-hung's speech just now is the main point of the whole motion, that is, the policy on re-industrialization in Hong Kong is not only a hindrance in itself, but also basically contradictory in terms of policy.

Take the demolition of factory estates under the Hong Kong Housing Authority ("HA") as an example. We do not understand what kind of policy support is required for an industrial ecology. Certainly, we know this has nothing to do with the Secretary who is now present, but probably more related to the Transport and Housing Bureau. I also have an oral question scheduled for the Legislative Council meeting next week, but let me just take the issue of HA factory estates as an example. This is indeed related to compensation, demolition and resettlement, but in fact, we basically have to ask a fundamental question, that is, why the relevant users and tenants reacted so strongly when the Government said it would demolish four HA factory estates. Their reaction was strong because they had nowhere else to go, and they would be unable to sustain their business operation, livelihood or living, not because the rents of the factory estates were relatively cheap. As you know, the rent per square foot must not be cheap. It is only that the Government introduced rent waivers in a year over the past few years, but this is not a permanent measure. The most important thing is whether it is possible to find a unit with 200 to 300 sq ft of floor space in an industrial building for industrial use in Hong Kong. Are such units still available?

HA factory estate units are generally not very large in size, and exactly because they are not very large, they have nurtured a number of businesses in Hong Kong over the years that are not microenterprises, but rather businesses as small as atoms, or family businesses. Nowadays, those who inherit the family business may be working hard in these factory estates. What does this have to do with the re-industrialization we are talking about? The problem lies in the demolition of HA factory estates on the one hand and the construction of small units of 200 to 300 sq ft in the Science Park on the other for people to engage in innovation and technology. This is a waste of time. As regards innovation in the Science Park, the Government deliberately set aside an area similar to a factory unit for developing automatic robots, use as a display room or moving in goods. If the Government wants to specifically provide a space of 200 to 300 sq ft for innovation and technology companies, it can simply let these companies move into these HA factory estates. Why do they have to build such

units in the Science Park? This is a matter of fundamental policy positioning, interdepartmental support, and the Government's failure to understand what problems Hong Kong is facing in terms of social ecology.

Certainly, the problem with HA is not included in this motion. From another perspective, however, other Members have just given some different descriptions, and I think that especially in relation to the industrial development of China, they are not accurate. Let me give a very harsh comment. What does this have to do with you? The President should know about it as he is engaged in the industry. In the past year, the Mainland's industrial development—you really need to face the true reality—it has become a country with a high trade surplus in the world, having surpassed Germany, and registering record highs in cosmetics, personal products and plastic products. Do we have to ask why this is so? The reality is that you have to admit—although this word may not be an appropriate description—that the strongest point of the World's Factory is that it is at the lower and middle end of the production chain. During the epidemic, it is surprising that it has had such growth, but this growth is, as we all know, facing huge problems: the disappearance of the demographic dividend, the rise in labour costs, and the absence of the fundamental elements of high growth. These are issues of national policy, but regrettably, there is no place for Hong Kong in the discussion of these issues.

As such, what I would like to discuss is that we can indeed take the time to talk about the role of Hong Kong in the entire Greater Bay Area under the 14th Five-Year Plan. We may say that, but the problem is that this is not what this motion is about. When a trivial problem with HA factory estates is handled in such a messy way, what you are talking about is all false and empty. Certainly, I am not responding to the Chief Executive by saying this, but the problem is that, regrettably, the figures for the past year show that the growth in trade surplus has nothing to do with Hong Kong. Now I have to ask what exactly Hong Kong is doing. The question is actually about what can be done. (*The buzzer sounded*) ... I so submit.

MR JEFFREY LAM (in Cantonese): President, with the development of innovation and technology ("I&T"), re-industrialization has become an important development strategy around the world. Hong Kong also needs to explore new points of economic growth through re-industrialization. We from the industrial and business sectors have put forth the subject of re-industrialization many years

ago, and we believe that the Government needs to formulate a more comprehensive and flexible policy for re-industrialization. Coordination among departments is also needed in the process.

The National 14th Five-Year Plan and the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area") have brought about unlimited opportunities to Hong Kong. The 14th Five-Year Plan also proposes to "support the transformation of traditional manufacturing industries" and "strengthen strategic emerging industries", whereas the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area proposes to "support Hong Kong's efforts in exploring re-industrialization in sectors where it enjoys advantages". Located in the Greater Bay Area and in close proximity to the Pearl River Delta which is a world-class factory, Hong Kong possesses a global sourcing and sales network, as well as a huge market in the Mainland. These are also favourable conditions for the re-industrialization of Hong Kong. Therefore, we always believe that Hong Kong is well-positioned for re-industrialization.

We hope that the Government would recognize the value of traditional industries in which we enjoy advantages while setting its sights on the development of advanced technologies. Meanwhile, we also hope that the Government would continue to work with the sector, academia and R&D institutions to proactively integrate Hong Kong into national development and step up the various efforts in promoting I&T development and re-industrialization.

President, support to re-industrialization cannot go without capital, talent, land and legal system, etc. On capital, the Government launched the Re-industrialisation Funding Scheme in 2020, which subsidizes manufacturers on a matching basis to set up new smart production lines in Hong Kong. However, only 15 applications have been received up to end April this year. Some friends of mine from the industrial and business sectors told me that they were aware of this Scheme, but they really did not have the manpower and resources to spare efforts to apply given the complicated vetting and approval process and the need to submit a bunch of documents. I have the background of operating a factory, and so does the President. Both of us understand very well that the process of re-industrialization is by no means easy. The Government needs to provide us with more support and streamline the administrative procedures so that the industrial and business sectors will not be subject to so many rules and regulations in the course of applying for subsidies.

On talent, the Government launched the Reindustrialisation and Technology Training Programme in 2018, which funds local enterprises on a matching basis for their staff to receive training in advanced technologies. This Programme is a good initiative, but we hope that the Government will implement additional measures to assist enterprises in solving the problem of talent shortage. At the same time, we also hope that the authorities will improve the Quality Migrant Admission Scheme and the Technology Talent Admission Scheme to help the industrial and business sectors win the global competition for technology talents.

We also hope that the Government would expand the Greater Bay Area Youth Employment Scheme ("the Employment Scheme") to encourage enterprises to offer job opportunities for Hong Kong youths who aspire to pursue their career in the Greater Bay Area. In fact, Hong Kong has many talented young people, and the Greater Bay Area is home to some of the world's leading innovative industries. The Employment Scheme can help young people broaden their horizons and develop their career by combining talents and industries.

Regarding land, the authorities need to conduct land use reviews, provide support for enterprises which intends to set up high value-added production lines in Hong Kong while facilitating their sustainable development. At the same time, the Government should also review some obsolete legislation that would have a bearing on investment.

President, promoting re-industrialization can give growth momentum to the Hong Kong economy and create quality employment opportunities. We expect and hope that the Government will be well prepared for the economic challenges ahead. Having said that, at this point in time, the most important task for us is to do a good job in fighting the epidemic. Let us get vaccinated so that traveller clearance at the border of Hong Kong can be resumed as soon as possible for the economic activities in Hong Kong and the Greater Bay Area to restart. I believe that our development in the Greater Bay Area will have great possibilities should the Hong Kong economy have a speedy recovery.

Thank you, President.

MR CHAN CHUN-YING (in Cantonese): President, I would like to thank Mr Holden CHOW for proposing the motion on "Commencing a new phase in Hong Kong's development of re-industrialization" today and Mr Jimmy NG for his amendment, so that we have an opportunity to discuss the future direction of Hong Kong's manufacturing industry.

The Outline of the 14th Five-Year Plan of China proposes to develop and strengthen strategic emerging industries to lay a solid foundation for long-term sustainable development. This has also given Hong Kong some insights into solving its own industrial structure problems. Hong Kong's industrial development has undergone quite a number of transformations, from a manufacturing-based light industry to a "front shop, back factory" model after the reform and opening up, and then to a service-oriented industrial structure. In recent years, the community is aware of the hollowing out of Hong Kong's industries and the challenges facing the traditional service-oriented economic structure in the new era, which need to be addressed.

The four pillar industries of Hong Kong together account for about 60% of its GDP, with tourism, trade and logistics industries facing challenges from the Mainland or neighbouring cities in recent years. The SAR Government proposed in 2009 to develop six industries where Hong Kong enjoys competitive advantages, including medical services, education services, environmental industries, innovation and technology, testing and certification, and cultural and creative industries, but in 2019 the six industries still accounted for less than 9% of its GDP, which reflects the slow pace of development.

The Government has been actively promoting re-industrialization in recent years by launching various funding schemes. However, the shift from traditional industries to emerging industries needs to be steered by the innovation and technology system of the Government. The Government must identify in a targeted way new industries with development potential in Hong Kong, set phased milestones, strengthen the training of local professionals, bring in international top talents, and provide support for the development of these industries in various aspects, including the supply of land, the formation of industrial clusters, and the reduction of taxes and fees for enterprises.

Hong Kong can actually step up its efforts in two areas. The first is to develop emerging industries that suit its own circumstances, such as combining artificial intelligence and biotechnology to develop high-end, sophisticated and

advanced industrial R&D and manufacturing. The second is to promote the integrated development of emerging industries with existing pillar industries, using advanced technologies to enhance the production efficiency of existing industries and further strengthen their advantages.

For example, biotechnology is an industry worth studying. With the continuous breakthroughs in life science technology, there is a growing concern about the medical pressure brought by the ageing population, as well as the extension of life expectancy and control of the spread of infectious diseases. Hong Kong's biotechnology industry has a solid foundation of its own, as over 250 companies are currently engaged in biotechnology, and tertiary institutions participate in a number of forward-looking biomedical research projects. In 2018, the Hong Kong Exchanges and Clearing Limited allowed pre-revenue biotechnology enterprises to raise fund through listing on the Main Board. In the future, we can continue to focus on the fields of genetic research, regenerative medicine, and synthetic biotechnology.

Next is artificial intelligence. Mechanical and repetitive tasks performed by computers can alleviate the pressure of high manpower costs, while machine learning breaks through the limits of human judgment and complements humans in business decisions and investment decisions. At the same time, we can promote the integration of artificial intelligence with traditional finance, tourism and trade industries. The integration of artificial intelligence with the financial industry, namely financial technology, can enhance the efficiency of the financial industry and achieve intelligent risk monitoring. The integration of artificial intelligence and the tourism industry can facilitate quick detection of customer preferences, simplify the booking process, and provide 24-hour round-the-clock intelligent customer service. The integration of artificial intelligence with the trade and logistics industry can help predict changes in consumer demand and improve warehouse and logistics management.

However, if Hong Kong cannot find a way to commercialize technology smoothly, there is no point in talking about it. The Government should review the application procedure for funding research institutions in a timely manner to rectify problems such as cumbersome procedure, long approval time and unrealistic criteria. In addition, Hong Kong should make use of its geographical advantage of being close to the Mainland to complement its industrial strengths with those of the Mainland, and speed up the commercialization of Hong Kong products by leveraging on the vast Mainland market.

President, I support the original motion of Mr Holden CHOW and the amendment of Mr Jimmy NG. I so submit.

MR VINCENT CHENG (in Cantonese): President, first of all, I would like to thank Mr Holden CHOW for proposing the original motion and Mr Jimmy NG for proposing the amendment so that the Legislative Council has an opportunity to discuss the development of re-industrialization. Many Members have talked from different angles about the importance and feasibility of re-industrialization, as well as a series of suggestions. Personally, I would like to focus on the environmental industries, which are a relatively popular and, I personally think, promising sector in the re-industrialization of Hong Kong. It is good that Secretary Alfred SIT is present today because I remember that Secretary SIT and Secretary WONG Kam-sing have earlier commissioned The Chinese University of Hong Kong to conduct some research. In fact, this is of the industries that can be developed. President, environmental industries are recognized as a new growth area in the global economy. According to the figures of the Hong Kong Trade Development Council, the value added of the environmental industries in Hong Kong in 2018 was \$9.9 billion, accounting for 0.4% of the Gross Domestic Product. Though the scale may sound small, its growth is actually quite desirable, with the year-on-year growth reaching 5.8%. And in the same year, more than 40 000 people were employed in the industries.

Throughout the world, including the Mainland, Korea, Japan and other places, environmental industries and green industries are developing very rapidly and expanding continuously in scale. Given the general trend of environmental protection, Hong Kong's environmental industries actually have ample room for development. Further development cannot be achieved without the right timing, geographical conditions and social environment. What dose Hong Kong lack? Personally, I think Hong Kong lacks favourable geographical conditions and social environment, namely the land issue and policy support from the Government. The public consultation on the regulation of disposable plastic tableware has recently been conducted with an aim to reducing waste at source. At first glance, it seems very ideal, but how many trades and industries in Hong Kong are recycling waste ... i.e. eco-friendly boxes or lunch boxes? Is there any? Having enquired about the situation, I found out that there are actually not many. However, is there any room for development in this area? It seems so. Therefore, in the context of industrialization, Hong Kong's waste plastic recovery and recycling industry already has great room to transform such so-called waste

plastics into quality plastic materials with economic value so as to achieve environmental protection. We have checked the figures. Among Hong Kong's exports of recyclable materials in 2019, by export values, waste plastics only accounted for a very small share, just 0.3%, while 90% was ferrous metals and non-ferrous metals. Obviously, this cannot be considered as satisfactory. There is no sizable local waste plastic recovery and recycling industry in Hong Kong. Can the Government make more efforts? It is useful for us to ponder how to sustain the development of such industries.

President, one of the greatest constraints on the development of environmental industries in Hong Kong is the land issue. The persistent shortage of large-scale industrial sites in Hong Kong has prevented the sector from investing in high value-added recycling industries or introducing new technologies. The Government has set up a 20-hectare EcoPark in Tuen Mun, which started operation in 2007 with land being leased out at concessionary rates. As far as I am aware, after more than 10 years, the park is actually close to saturation, and many interested enterprises can only feel disappointed and disheartened. As we all know, a recycling plant requires enormous investment and the cost is high. Can the Government provide more space for the development of the EcoPark and supply more land for that of the sector?

On a different note, the Government should not just be all talk when it comes to provision of land, but policy support and backing are also very important. Many tenants in the EcoPark are facing difficulties in operation and have even failed to achieve the committed recycling capacity. The reasons for this, among others, are the yet-to-be comprehensive local recycling system, the relatively high recycling cost, as well as the price reversals in external markets in recent years. Nonetheless, as environmental protection is now a major trend, coupled with the possible implementation of waste charging in the future, I personally think it is worthwhile for the Government to mull over how to achieve greater diversity and create more outlets in terms of environmental protection elements, recycling network support, etc.

In fact, the Government has introduced some measures to support the sector, one of which is a \$2 billion government programme on the procurement of relevant services. However, according to my understanding, efforts made in this regard have been undesirable. Most essentially, can the Government take the lead in doing so? I know that the Environment Bureau itself has done a great deal like making purchases or using eco-friendly electric vehicles. But I

understand that there is no express requirement for other Policy Bureaux to follow suit, and they can invite quotations of their own accord. On this front alone, the Government can take the lead in encouraging various Policy Bureaux, such as the Innovation and Technology Bureau, to adopt eco-friendly materials and achieve some savings. Such methods can drive the whole region towards greater environmental friendliness in industrialization and towards technologization and mechanization. Therefore, I hope the Government can give this respect some consideration. As many Honourable colleagues have just mentioned, the effectiveness of the Government's environment fund and Recycling Fund has not been satisfactory, the reason for which is worth reflecting on, namely the overly complicated procedures I have mentioned. To be frank, very often, whenever measures are introduced, we can see that the procedures are complicated and many people engaging in environmental industries are discouraged by it.

President, when discussing re-industrialization, I wish to not only focus on traditional industries, as such newly emerged industries and environmental industries definitely have potential (*The buzzer sounded*) ...

PRESIDENT (in Cantonese): Mr Vincent CHENG, please stop speaking.

MR VINCENT CHENG (in Cantonese): ... to be, hopefully, rigorously developed. I so submit.

DR PRISCILLA LEUNG (in Cantonese): President, in Hong Kong, I can often hear a saying which is popular among friends in the technology and industrial sectors, and that is, "high-tech, losers; low-tech, winners". It means that if they engage in "high tech" development, they can easily lose a lot of money and resources and yet, they will go nowhere.

In 2019, the four traditional industries of Hong Kong were financial services, tourism, trading and logistics, and professional and producer services. These industries, with which we are very familiar, account for 56.4% of the GDP, while innovation and technology has a share of only 0.9%. In 2021, when we talk about the concept of re-industrialization, we really should not still imagine it as a big factory with chimneys, and then there are many workers inside or there is

discharge of effluent, etc. I think when it comes to re-industrialization in Hong Kong, the idea of "industry" must be technologized. It is because given Hong Kong's geographical environment, many of our resources come from the natural environment and talents. Hong Kong is a high-tech and high value-added society, and we should even encourage small-scale operations. Actually people do not mind having an office of 200 sq ft or 300 sq ft as they may still be able to create a lot of products there. I always see many young people working with many computers, and if Members visit some entrepreneurial zones in the Mainland, they will see that within just a small space, everyone has a desk to work on, and actually many of them are start-ups.

In his reply to another Member today, the Secretary said that the number of start-ups has increased from 1 000 in 2014 to 3 300 now. But how do we understand these 3 300 start-ups? In 2011, Frank WANG, who graduated with a master's degree from The Hong Kong University of Science and Technology, invented drones in Hong Kong but eventually he had to turn to Shenzhen for the mass production of his invention, showing that we are unable to retain these very good industries. Another example is the research and development of electric cars by The Hong Kong Polytechnic University jointly with a local electric car manufacturer in 2009. What happened to MyCar then? It attracted the attention of a major eco-friendly car manufacturer in the United States ("US") and the US Government and was ultimately acquired at HK\$100 million. None of these inventions could take root in Hong Kong, and MyCar was launched just one year after Tesla. So, I think as our young people are talking about chasing dreams nowadays, and while I understand that the first thing that comes to their mind is home ownership, the expensive costs of offices, etc., I very much wish to tell a story, and I must tell a story.

I remember that during the reform and opening up of China, there was a young man who lived in a rural village, and his name was YANG Xiangzhong. He had not studied physics or chemistry, nor had he received formal education in science. But he saw every day that the cattle in China were yellow cattle with low milk production, and he always asked why those cows in foreign countries could produce so much milk. In the end, this 17-year-old young man had the opportunity to go abroad and became the Father of Cloned Cows. He replicated the DNA of those cows capable of producing abundant milk and then used it to raise cattle in China, helping many Chinese people. He had the courage to think and to try. He who had never studied science or received formal training in science was sitting on the grass, thinking about cloning cows. This is downright

inconceivable, right? However, as Members can see from the news today, people are going to the space, and in the US there is the Starlink project and also the SpaceX project. All these have completely gone beyond the scope of our vision. Take robots as an example. If you go to the Mainland, you will see that actually everything is mechanized; it is not just robots, but everything is mechanized.

Therefore, I think for the benefit of our young people in Hong Kong, especially as we wish to attract start-ups and make them willing to take root in Hong Kong, it takes more than what the Secretary said in his reply today about setting up a host of funds or allocating how much money. In fact, the Bureau really has to tell us what categories of start-ups are linked to what types of technology and also whether they are combined with the results of university research and development on innovation and technology. We really need to have a forward-looking committee to help the results of these people's entrepreneurship to take root in Hong Kong, and this is also a new direction of re-industrialization.

President, I so submit.

MR CHUNG KWOK-PAN (in Cantonese): President, speaking of industry or the manufacturing industry, I think there is no place that is greater than Hong Kong. Since the 1960s and 1970s, we have had a booming manufacturing industry. However, we do not see any factories nowadays because we moved them to Southeast Asia, and in the 1980s we moved them to the Mainland. In the case of the garment industry, many people do not know that Hong Kong companies are now the sourcing centre for one third of the world's apparel industry. How much money is this equivalent to? It is about US\$200 billion to US\$300 billion. This is something no one knows. One may think that there is no garment industry in Hong Kong, and the garment industry is a sunset industry. I have heard people saying that the garment industry is a sunset industry since I joined the industry in the 1980s, and that it will continue to be a sunset industry 30 years from now, but it turns out that we are controlling global textile purchases to the tune of US\$200 billion to US\$300 billion.

Certainly, if the foundation is so good, and the amount is so huge, why not move some of the production back to Hong Kong? Certainly, it depends on how the development is going. There are two ways of doing business. In order to

compete with others on prices, some factories have been relocated to Southeast Asia and even Africa. However, leaving prices aside, we have to edge out others in design or uniqueness. Therefore, in Hong Kong in recent years, the Commerce and Economic Development Bureau makes a lot of effort to promote fashion design, with the hope of developing a fashionable city, and now there is a fashion and design base in Sham Shui Po.

The second issue is that we have to rely on new things, and new things means that we have to rely on scientific research—the Secretary for Innovation and Technology is present. During this period of time, the SAR Government has actually committed a lot of resources for innovation and technology. In particular, we have recently visited three places in Hong Kong mainly for innovation and technology development, namely the Science Park, the Hong Kong Productivity Council and Cyberport. Upon arriving at such places, we realized that there are a lot of good things, a lot of new things, and they are doing quite well. However, as I have said many times, the problem is that the SAR Government has not done much in terms of promotion, and it has failed to tell the world and even the Hong Kong community that we are doing so well in terms of innovation and technology. As such, if we talk about re-industrialization today, Hong Kong has the ability and foundation to do it. I am very grateful to Mr Holden CHOW for proposing the motion on re-industrialization today, and I even appreciate his intention to do another report to provide information on the future re-industrialization of Hong Kong. Mr Holden CHOW is really dedicated to doing so, and thus I am grateful to him.

However, I would like to raise a very important issue, that is, Hong Kong previously undertook a lot of scientific research and collaborated with many foreign universities and research institutes. When there were things that people found not very convenient or suitable to do on the Mainland, they did them in Hong Kong. Now I am worried about the following problem. During this period of time, when foreign countries or the Western world have been targeting China, and also targeting Hong Kong, if Hong Kong universities and research institutes collaborate with foreign universities and research institutes again, will they be obstructed by the governments of the Western world, so that our future development in this regard will be hindered? I hope the Secretary will respond or update us later on whether our universities are encountering different obstacles and difficulties in terms of scientific research. If this happens, no matter how hard we try, our own research resources, talents, technology or expertise will be affected. Our room for development will be much narrower, as we will not be

able to collaborate with top foreign universities. As such, given this political issue, despite our hard work on re-industrialization or the input of the Government, I am very worried about our development in the face of global political pressure on Hong Kong. This is for the two Secretaries to respond later.

Thank you, President. I so submit.

MR MARTIN LIAO (in Cantonese): President, having been hit by factors such as riots, the coronavirus disease and conflicts between super powers, Hong Kong has suffered economic contraction for six consecutive quarters since the third quarter of 2019, making it the longest recession on record. The economic doldrums have highlighted the maladies of lacklustre growth in traditional pillar industries and an overly homogeneous economic structure. In order for Hong Kong's economy to prosper in the long run, it is necessary to promote the development of a diversified economy.

In fact, re-industrialization has enormous potential to complement, among others, Hong Kong's development of innovation and technology, the promotion of industrial upgrading and transformation, the diversification of our economy, the nurturing of new growth areas in the economy, the creation of high-end jobs. However, the key to making re-industrialization a tool to help break through the bottleneck in economic growth lies in strategic policies and measures. In recent years, many support policies have been rolled out in areas like infrastructure, talent as well as research and development ("R&D"). While these policies have indeed made certain achievements, there are still a long way to go before the potential that I mentioned just now can be realized. In order to "commence a new phase" in re-industrialization as put forward in this motion, the authorities have to be innovative in their thinking and make changes to keep abreast of new trends.

Owing to time constraint, I can only touch on a few of my concerns. First, to successfully promote re-industrialization, the Government have shown the necessary determination, and provide more comprehensive support to facilitate the genuine development of re-industrialization. The Chinese General Chamber of Commerce has previously suggested the authorities provide financial subsidies for enterprises to employ more Mainland and overseas R&D talents and further raise the tax exemption ceiling for small and medium enterprises' R&D

expenditure. Apart from creating a favourable environment for innovation and technology, the authorities should also do more on reviving the manufacturing industry, for example, by introducing facilitation measures in taxation, labour supply and priority procurement by the Government, in order to provide more incentives for enterprises to invest in the manufacturing industry.

President, the promotion of re-industrialization to a "new phase" needs more than a broader vision. We should also formulate standards to quantify and follow up the development of re-industrialization, so as to make contribution to the local economy. Nevertheless, in its reply to a Member's request to set a target for the manufacturing sector's contribution to Gross Domestic Product, the bureau only states that its target for the Key Performance Indicator is to "reverse its declining trend". This response shows that the authorities are quite passive in promoting re-industrialization and lack verve and vision. I hope that there will be a set of more comprehensive and objective indicators to spur the authorities to promote the development of re-industrialization in the near future.

Besides, more importantly, the SAR Government should actively capitalize on the resource advantages and opportunities in the Greater Bay Area, and review and adjust the current approach which only focuses on promoting re-industrialization locally with a new mindset based on the collaborative development of the innovation and technology industry chain in the Greater Bay Area. In this regard, the authorities should explore whether tax deduction arrangement for enterprises' R&D expenditure can be applicable to their R&D projects in the Mainland, and make use of our strengths in areas such as the rule of law and protection of intellectual property rights, so as to provide an outlet for basic scientific research and midstream translational work for promoting re-industrialization.

Technological advances and economic liberalization are a double-edged sword, which can bring about business opportunities while intensifying competition among regions. The authorities have to catch up and assess the situation carefully, as well as keep reflecting on how to make re-industrialization proceed at a faster and steadier pace, in order to inject new growth impetus into Hong Kong's economy.

President, I support the original motion and the amendment. I so submit.

MRS REGINA IP (in Cantonese): President, first of all, I thank Mr Holden CHOW for proposing this motion, as well as making a detailed report with such a serious attitude for our reference. I certainly support the motion, since I was the Deputy Secretary for Trade and Industry in the 1990s and later the Director-General of Industry. At that time I already attached great importance to industrial development and had inspected the production processes in various industrial areas, including semiconductor.

Hong Kong used to be called one of the economic miracles in East Asia. The World Bank called us "part of the East Asian economic miracle", and we were one of the so-called "Four Little Dragons" or "Four Little Tigers" in Asia, thanks to our industrial development. I remember that when I was the Director-General, I proudly told others that Hong Kong had achieved several firsts in industrial production. As the President knows, Hong Kong once ranked first in the world in textile and clothing in terms of volume, while Italy was the first in terms of value. Moreover, Hong Kong was the world's number one in watches and clocks, in footwear and also in toys and games.

Regrettably, since the Hong Kong Government did not put in place any industrial policy, after Hong Kong industrialists obtained a lot of cheap land and labour on the Mainland subsequent to its reform and opening up, they moved northwards one after another instead of keeping the industries in Hong Kong, especially some critical industries such as the manufacture of semiconductor silicon wafers. We had discussed with Motorola and suggested that it set up a silicon wafer fabrication plant—I do not know how it is translated in Chinese—in Hong Kong as an investment. However, unlike Singapore, which used a large amount of subsidies to retain industries, Hong Kong failed to retain the advanced manufacturing industry due to its lack of an industrial policy. This is a pity because Hong Kong has lost its manufacturing industry which used to account for 20% of the Hong Kong economy. Without the manufacturing industry, especially advanced production, what are the impacts on the economy? The range of jobs which young people may choose has become much narrower. The subjects taken by university students are mostly related to the service industry, such as business, professional service, law, accounting and hotel service. The types of jobs available to young people have substantially reduced. I even know that some students with excellent results in mathematics, physics and chemistry have become journalists.

Moreover, there has been a loss of skills and interest in advanced mechanical engineering in society. Consequently, now companies such as Hong Kong Aircraft Engineering Company Limited ("HAECO") are often unable to recruit manpower, as young people have lost interest in manual production work. We often hear that HAECO is unable to recruit manpower, which is unavailable even for such lower-level work as escalator and air-conditioning maintenance. The so-called skill set of the labour force in Hong Kong society has thus become much narrower. Hong Kong has been reduced to a service economy, having lost many skills and jobs. Such a situation was once seen in Japan. It was called the "hollowing out" of Japanese industries, since its manufacturing industry had similarly moved out from Japan in the quest for cheap labour and land. The United States is now aware that a serious problem has emerged, especially since it found that semiconductor production has entirely relocated to Taiwan and Korea in Asia. So it has to rouse itself to catch up.

I certainly support the re-industrialization of Hong Kong, but I would like to point out that Hong Kong's industrial achievements in the past did not rely solely on the Government's support. Rather, it relied on the promotion of the market. If the Government is to provide support, no matter who requests financial or resource support, I think such resources must be used properly. If we want high-tech production, strong research and development ("R&D") is the most essential. Furthermore, Hong Kong currently lacks land and talent. To pursue high value-added and high-tech development, it is necessary to become part of the high value-added and high-tech production chain in the Mainland. It is only through collaboration with the Mainland by seizing opportunities in the Greater Bay Area that there will be room for development.

As regards the traditional industries, such as food, Secretary Mr Alfred SIT also talked about food with me just now. I remember I went to Tai Po Industrial Estate to visit the company of Doll Dim Sum and the American company CBC International (*The buzzer sounded*) ...

PRESIDENT (in Cantonese): Mrs Regina IP, please stop speaking.

MS YUNG HOI-YAN (in Cantonese): President, in the future, Hong Kong is bound to go along the path of integrating into the overall development of the National 14th Five-Year Plan to complement the national "dual circulation" strategic economic development. I am very grateful to Mr Holden CHOW for

proposing the motion and to Mr Jimmy NG for his amendment today. I will support Mr Holden CHOW's motion and Mr Jimmy NG's amendment. Has the best time already passed for us to fully implement re-industrialization, to promote the revival of Hong Kong's industries and even to achieve remarkable results again? I very much hope that the motion on "Commencing a new phase in Hong Kong's development of re-industrialization" today will give Honourable colleagues an opportunity to offer advice and strategies to the Government on re-industrialization and promotion of Hong Kong's economic recovery.

President, although it is mentioned in the Plan that Hong Kong needs to promote its service industries for high-end and high value-added development, apart from service industries, traditional industries, including manufacturing industries, also need to upgrade and restructure at the same time. Former Chief Executive, LEUNG Chun-ying, first proposed "re-industrialization" in the 2016 Policy Address. The SAR Government has promoted thousands of re-industrialization projects through the Innovation and Technology Bureau ("ITB"), the Hong Kong Science Park and the Hong Kong Productivity Council by way of direct funding, technical support and rent remission respectively, the industrial sector, however, still accounts for less than 1% of Hong Kong's Gross Domestic Product ("GDP"). In comparison, the contribution of the industrial sectors in Singapore, South Korea and Taiwan has exceeded 20%. The efficiency of Hong Kong's re-industrialization over the past few years can be said to have fallen way behind. The Government must urgently catch up and think about ways to support industrial development.

According to the data from the Census and Statistics Department, between 2013 and 2019, the number of local manufacturing enterprises decreased from 9 358 to 7 251, and the number of persons employed also decreased from 100 000 to 88 000, which accounted for only 2.3% of the total employment in Hong Kong. Moreover, in recent years, the manufacturing industries have only accounted for 1.1% of GDP. In 2020, for example, out of the total exports standing at \$3,500 billion, the total value of "Made in Hong Kong" products fell to a low in recent years, only \$42.1 billion. Compared to the total value of "Made in Hong Kong" products in 2012 which reached \$58.8 billion, there was a reduction of 28%. Given that "food, beverage and tobacco" is the leader of Hong Kong's light manufacturing industry, the Chinese Manufacturers' Association of Hong Kong proposed in 2016 that the Government follow the example of Korea to establish a food industry park so as to further develop the regional brand image of "Made in Hong Kong", thereby enhancing competitiveness.

However, we can see that in the past few years, it seems that the Government has not made serious efforts to foster the development of food and beverage manufacturing. Then, is the current funding from the Innovation and Technology Fund ("ITF") really effective? The data from the Census and Statistics Department indicate that the largest share of Hong Kong's manufacturing industries in 2017 was "food, beverage and tobacco" I mentioned earlier, which accounted for 31.9%, while "electrical, electronic and optical products" only accounted for 3.9%. Despite the smaller share of "electrical, electronic and optical products" in the manufacturing sector, according to the information of ITB, as at the end of October 2019, "electrical and electronic" related businesses received a large proportion of ITF funding, accounting for 31.56%, or \$3.7 billion. Then we have to think about whether ITF is helping the food industry whose share is the largest or the electrical and electronics industry, or does it offer help selectively? Next, we also have to consider how assistance should be offered: whether to help the leading industries, to help minor industries, or to help major industries?

President, many members from the industrial sector consider the Government's policy on re-industrialization still inadequate. Therefore, I find it a bit premature for Mr Holden CHOW to propose the motion on "Commencing a new phase in Hong Kong's development of re-industrialization" today, because the authorities have not yet accomplished all the work they previously wanted to do. In our view, the authorities have only invested in high-end manufacturing industries and neglected some traditional industries, failing to deal with the upgrading and restructuring of some industries in an effective, focused and targeted manner, including how to make use of high technology to help traditional industries upgrade and restructure. For this reason, I hope the Government will make use of big data to engage in analysis more with the industries and understand their needs, so as to help different sectors of various industries to properly implement re-industrialization. This will benefit the overall development of Hong Kong as Hong Kong's products can be "nationalized" and national products can enter the international arena, thereby creating a mutual platform.

With these remarks, President, I support the original motion and amendment.

DR JUNIUS HO (in Cantonese): President, all these proposals put forward by us are of course very good ones. But then, we have been talking about the Cyberport and the Chinese medicine port since the previous century, whereas the former Chief Executive has proposed the revitalization of agriculture and the setting up of an Agricultural Park. Mrs Regina IP also reminded us earlier that she had led the Trade and Industry Bureau, and I proposed the revitalization of industry again in 2016. Have you found that all of them are merely empty talks? It is very difficult for us to go back and engage in industry after becoming affluent, how can we do so? If I ask you to engage in industry, will you do so? No. Will the young people do so? No, they will not either. Therefore, it is very difficult for people to go back. It is easy to go from thrift to wealth but extremely difficult to go from wealth to thrift and be frugal.

What is the situation in Hong Kong now? Would people walk if they afford to ride? I can see just one issue, the Chief Executive has the obligation to enact legislation on Article 23 of the Basic Law, but she has already indicated that in the remaining year, the Government will not be able to enact legislation with one year's time. Just now we have discussed that there is a need to amend the Rules of Procedure ("RoP"), and then we have put in enormous efforts and studied the issue night after night. We can certainly make it when we work with one heart, but how can we be of one mind now? Because the Government itself does not have such a determination, right? The Secretary sought our funding approval for the Cyberport ... No, it should be the Innovation and Technology Park. He asked for a funding of over \$20 billion even though it involved only 80 hectares of land, right? We still have no idea how much money will be spent on the subsequent development, while buildings of just only six or seven storeys will be constructed, those built across the river are already 50 storeys. In fact, the many barriers are yet to be removed by ourselves.

I wish to say that I will definitely support this motion. This motion proposed by Holden is very good, whereas it is certainly correct for Jimmy to propose upgrading and restructuring. But then, the Government is the head, the emperor—I did not say that I am an eunuch—They are the emperor, and they have to do something, how can they do nothing? It would often take four to five years for the Government to conduct a feasibility study, and the Chief Executive has also said that things have to be done quickly—They claim to be quick only. I also heard of a message from someone outside that while people are talking about the promotion of new technology, etc. now, it is just an empty talk, and they have to wait until the next Chief Executive is elected. I then asked, "Is this true?" It is true, those people are sitting back and doing nothing already.

Coming to this point, what should we do then? We should not make it so complicated. What do I always criticize as being the most annoying in Hong Kong? It is that we have spent too much time on conducting those feasibility studies which are unnecessary and spent too much time on those experts who would give me some opinions which need not be provided by experts. We have squandered too much money on those experts to do something very idiotic. Looking back at the Mainland, how did they do it in fact? They have done so by flattening Shenzhen since 1978 to achieve access to water supply, electricity and roads as well as land levelling. Actually, the Government does not need to offer us so much help, it merely needs to abolish town planning and environmental assessment. It just needs to flatten the North District to achieve access to water supply, electricity and roads as well as land levelling. It even needs not construct any roads. Those people will then thrive for themselves, people will carry it out as long as a policy has been introduced. The Government now only engages in empty talk, and it is simply useless. Regarding the legislation on Article 23 of the Basic Law, they said that they would not deal with it even though there is a whole year's time, how can re-industrialization be pursued then? I do not believe it, but I will certainly support it. Yet, how long will it take them to work on it after I have lent my support? I so submit.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr Holden CHOW, you may now speak on the amendment.

MR HOLDEN CHOW (in Cantonese): President, first of all, I would like to thank Mr Jimmy NG for his very good amendment and very good supplemental comments. I especially noticed that he mentioned the need for training of testing and certification personnel. In fact, the government, industry, academia and research sectors are indispensable, and in the area of innovation and technology research and development, let me add that commercialization of results is very important, because only by commercializing results can we show the world that we have really turned our research results into products. As

regards one of the ways to commercialize the results, I noticed that Mr Jimmy NG specifically mentioned earlier that the Government can actually take the lead in purchasing products developed by local start-ups. This is very important.

I would also like to add here that regarding the way forward for innovation and technology products developed, I noticed that many of my colleagues have put forward some very good ideas today, which also include the point that Hong Kong must make use of the collaboration with the Mainland, especially the division of labour between other cities in the Greater Bay Area and us. In other words, if we have some products developed by start-ups ...

PRESIDENT (in Cantonese): Mr Holden CHOW, you should speak on the amendment now. Please return to the topic of your speech.

MR HOLDEN CHOW (in Cantonese): Yes, President, I noticed that what he said is consistent with this. President, I am just saying that the division of labour with the Mainland should be done in a collaborative manner. In particular, there is an opinion in the Hong Kong community that some testing or some small-scale production can be done in Hong Kong while mass production may be done in some other cities in the Pearl River Delta. This is also a direction we can consider. All in all, I hope that Members can support this motion and also support the amendment proposed by Mr Jimmy NG.

President, I so submit.

UNDER SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, I thank the 16 Members for their valuable opinions on today's motion. The Secretary for Innovation and Technology will speak on the policy of re-industrialization later on. Here, I would like to give a general response regarding the support provided by the Government to small and medium enterprises ("SMEs").

The contribution of industry to Hong Kong is beyond doubt. In view of the fierce competitive in the market nowadays, the Government has always attached great importance to industry, particularly to the support provided to SMEs. Regardless of what industries these SMEs belong to, such as the food,

environmental and fashion industries mentioned by Members just now, we truly wish to help them respond to the rapidly-evolving challenges in the market by enhancing their competitiveness and conducting upgrade and transformation.

Among the support provided, the BUD Fund and the SME Export Marketing Fund, both very well-received by the industry, have subsidized many companies to open up mainland and overseas markets. During the term of the current Government, these two funds have achieved certain effects through the injection of a total of \$7 billion and several rounds of enhancement.

For instance, as at the end of June this year, a total funding amount of over \$850 million has been approved under the BUD Fund to support the manufacturing industry in respect of branding and promotion, technological upgrade and establishment of production lines in the mainland and the Association of Southeast Asian Nations ("ASEAN") markets. On the other hand, as at the end of June this year, more than 110 000 applications from the manufacturing industry have been approved under the SME Export Marketing Fund, involving a total funding amount of \$ 1.7 billion. This shows that many enterprises can benefit from the two funding schemes mentioned just now.

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

In addition to providing financial support to Hong Kong enterprises, we also provide useful information to SMEs. In 2019, we consolidated the services of four SME service centres, namely the Support and Consultation Centre for SMEs under the Trade and Industry Department ("TID"), the SME Centre under the Trade Development Council, SME One under the Hong Kong Productivity Council and TecONE under the Hong Kong Science and Technology Parks Corporation. Experts were invited to brief enterprises on the latest useful information at seminars on various trade-related topics organized by these four centres. For instance, as e-commerce has now become a trend in trend under the epidemic, we have organized webinars on "E-Commerce and Cross-Border Logistics" and "New Marketing Trend—Social Media in the Mainland" through the four service centres just mentioned. Meanwhile, enterprises interested in exploring the mainland and ASEAN markets could also benefit from seminars on various market opportunities.

TID will also issue circulars to notify the industry changes in trade-related laws and regulations in other regions, especially trade measures against Hong Kong-origin products or affecting the trade interests of Hong Kong.

Just now, I noticed that some Members urged the Government to enhance its vision and strengthen regional cooperation. With regard to market development, we have been building closer economic and trade relations with various economies. The Government is actively liaising with relevant economies in the hope of early accession to RCEP, the world's largest free trade agreement, covering about 30% of the global population and one third of the global GDP. With the rising of protectionism around the world, the signing and implementation of RCEP will be conducive to promoting regional economic and trade cooperation and provide an important impetus for economic recovery after the epidemic. The Commerce and Economic Development Bureau ("CEDB") has written to the member economies stating Hong Kong's interest to join RCEP, and received positive responses that Hong Kong's accession could be facilitated in accordance with the relevant provisions after RCEP enters into force. Joining RCEP will strengthen the economic, trade, and investment ties between Hong Kong and member economies, especially with the ASEAN region, and facilitate Hong Kong's integration into the regional value chain.

Deputy President, Members, all in all, CEDB will continue to provide appropriate supports to the industrial sector and SMEs according to market needs. Deputy President, I so submit.

SECRETARY FOR INNOVATION AND TECHNOLOGY (in Cantonese):

Deputy President, I am very grateful to various Members who have just spoken and given their valuable views on how to better promote Hong Kong's development of re-industrialization. I am extremely encouraged by the importance Members have attached to Hong Kong's development of re-industrialization.

As a matter of fact, promoting innovation and technology ("I&T") and the development of re-industrialization will not only provide direct and quality employment opportunities, but also encourage related enterprises to set up other businesses in Hong Kong, such as marketing and promotion, sales and accounting, and supply chain management. This will generate demand for

services in other industries, thus creating more employment opportunities and giving Hong Kong's economy a fresh and strong impetus. For this reason, the Government shares the same direction Members have suggested and is now sparing no effort to promote I&T and the development of re-industrialization in Hong Kong.

Mr Holden CHOW and Mr Martin LIAO have said that the Government should formulate key performance indicators ("KPIs") for re-industrialization. In fact, the Innovation and Technology Bureau, established in 2015, adopted KPIs proposed by the Advisory Committee on Innovation and Technology in 2017, which comprises members from the higher education, I&T and industrial sectors, to foster the creation of a thriving I&T ecosystem. Among them, our target for KPI on the manufacturing sector's contribution to the Gross Domestic Product ("GDP") is to reverse its declining trend. In recent years, the manufacturing sector's contribution to GDP has been generally stable, reversing the persistently declining trend in the past 20 years or so. The Government will continue to devote efforts to the development of re-industrialization in the five areas I have mentioned in my opening speech, with a view to further promoting the development of the intelligent manufacturing industry.

Quality infrastructural facilities are indispensable for the promotion of the intelligent manufacturing industry and re-industrialization. The Hong Kong Science and Technology Parks Corporation ("HKSTPC") endeavours to develop different complementary facilities in industrial estates, including the Precision Manufacturing Centre, a centre for manufacturing medical products, the Advanced Manufacturing Centre and the Microelectronics Centre, to facilitate the promotion of smart production. The Government and HKSTPC have committed altogether more than \$9 billion to the construction of these four dedicated facilities for the sake of promoting re-industrialization.

Some Members have also mentioned that I&T and re-industrialization would require the supply of land. To meet the increasing demand for land sites for scientific research and re-industrialization in Hong Kong, we will continue to actively provide land for development in the short, medium and long term. In the short to medium term, in addition to the more than 10 hectares of undeveloped industrial sites in the three existing industrial estates, we are making all-out efforts to develop the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop, and to take forward Phase 2 of the Hong Kong

Science Park Expansion Programme and the Cyberport expansion project. These projects will provide facilities for high value-added processes such as product development, prototype manufacturing, and product design and testing.

In the long run, the Government has reserved some sites at Kwu Tung North and Hung Shiu Kiu New Development Areas for I&T uses. HKSTPC already commenced in 2019 a study on the engineering and technical feasibility of the Yuen Long Industrial Estate Extension at Wang Chau, and completed the preliminary studies on the proposed sites at Liantang/Heung Yuen Wai Boundary Control Point. Moreover, the Government is now looking at the feasibility of reserving the San Tin/Lok Ma Chau Development Node for I&T uses. The aforementioned sites altogether cover an area of over 250 hectares, which show the Government's determination to promote I&T and the development of re-industrialization. The Government will continue to explore the land required for promoting I&T development so as to meet Hong Kong's need for future development.

Promotion of re-industrialization and development of the intelligent manufacturing industry require outstanding technology talents. The Government launched in 2018 the Reindustrialisation and Technology Training Programme, which funds local enterprises on a 2 (Government): 1 (enterprise) matching basis for their staff to receive training in advanced technologies, especially training related to Industry 4.0. As at the beginning of July this year, the Programme has offered over 6 500 sessions of training in advanced technologies, the total funding of which exceeds \$43 million. The relevant training covers different areas, such as Industry 4.0 processes and automated production lines.

The Hong Kong Productivity Council ("HKPC") and the Vocational Training Council launched Hong Kong's first Professional Diploma Programme in Industry 4.0, in collaboration with the pioneer of Industry 4.0 worldwide, the Fraunhofer Institute for Production Technology of Germany, with a view to enhancing the relevant skills of practitioners in the industry.

We will also strive to reserve more land for the construction of talent apartments to pool talents together and also tie in with the development of the Loop area.

On the provision of capital, the Re-industrialisation Funding Scheme ("RFS") launched last year subsidizes manufacturers, on a 1 (Government): 2 (company) matching basis, to set up new smart production lines in Hong Kong. The funding for each project is capped at \$15 million. To date, the Government has received 20 applications. The Vetting Committee has agreed in principle to support 16 applications with a total funding of approximately \$108 million. The Scheme helps create a clustering effect in attracting enterprises, universities and research and development ("R&D") institutions all over the world to conduct R&D work and production in Hong Kong and retain in Hong Kong the industry chain, thereby adding impetus to the development of advanced manufacturing industries. At the same time, leveraging Hong Kong's position as a financial centre, we have adopted new methods and listing arrangements. The new listing regime has been implemented since April 2018 to facilitate the listing of pre-revenue/pre-profit biotechnology companies in Hong Kong. So far, over 30 biotechnology companies have listed in Hong Kong under the new regime. Hong Kong has now become Asia's largest and the world's second largest fundraising centre for biotechnology.

On technology, HKPC is fully committed to assisting enterprises in moving towards high value-added production and gradually upgrading to Industry 4.0. HKPC established the Hatch in collaboration with the Fraunhofer Institute for Production Technology to promote the development of smart industries. Furthermore, HKPC has implemented the Industry 4.0 Upgrade and Recognition Programme to, through the integration of artificial intelligence, robots, the Internet of Things, human-machine interface, big data, etc., assist enterprises in setting up smart production lines. At present, more than 20 industries and more than 50 enterprises have benefited from it. The related designs will take into account Hong Kong's industrial environment so as to offer appropriate support to industrialists in Hong Kong.

Meanwhile, HKPC operates Inno Space and Digital@HKPC to assist the industries in moving towards smart production and setting up new Industry 4.0 smart production lines. HKPC will also organize different types of training courses and seminars to encourage the industries to seize the opportunities brought about by I&T.

On scientific research, Hong Kong has strong capabilities in this respect. We have five universities in the world's top 100 and the advantages of being highly international. We also continue to maintain very good R&D

collaborative relationships with universities and R&D institutions both at home and abroad. In addition to supporting the five universities and R&D centres in conducting applied R&D work, the Government has also provided a series of financial support to encourage enterprises to conduct R&D, including the provision of a two-tier, 300% enhanced tax deduction regime for expenditure on qualifying R&D activities incurred by them. The claim for tax deduction on R&D expenditure for the year of assessment 2019-2020 amounted to over \$3.2 billion in total, which was about double of the amount in the year of assessment 2017-2018 prior to the implementation of the regime.

In addition, we have financed projects that contribute to I&T upgrading in the manufacturing and services industries through the Innovation and Technology Fund ("ITF"), and will inject a total of \$9.5 billion into ITF over two consecutive years to sustain the continuous operation of various funding programmes. I have to especially thank all Members for supporting the funding proposals so that Hong Kong's I&T ecosystem can be continuously enhanced. Currently, there are 17 funding programmes under ITF, seven of which aim at supporting R&D to foster technology transfer and realization of R&D results, thereby promoting re-industrialization. ITF has financed over 1 500 R&D projects in the past four years, with a total commitment amounting to approximately \$4,654 million.

Moreover, we have made some accomplishments in assisting traditional industries in upgrading their skills. For example, as Mr Holden CHOW has mentioned, an enterprise manufacturing security equipment and devices received funding support from the Research and Development Cash Rebate Scheme under ITF and HKPC's support for its tailor-made smart production lines, successfully achieving re-industrialization in Hong Kong. Such smart production lines not only save about half of the space but also help the company downsize its manpower and reduce production cost, rendering its business more competitive.

A Member has also mentioned that food processing has enormous development potential in Hong Kong and can help promote the development of re-industrialization. We very much subscribe to this view. In fact, many food manufacturers have expressed interests in investing in advanced production lines to improve their operation. Since its inception in July 2020, RFS under ITF has received 20 applications, among which half (i.e. 10) were from the food processing industry. Eight vetted applications from the food processing industry were all obtained the Vetting Committee's agreement in principle for funding support, with the total expenses amounting to about \$143 million. One application was made by a local food processing enterprise for setting up a food

processing smart production line for a central kitchen. Applying smart technologies such as the Industrial Internet of Things and data analysis, the enterprise will set up a smart production line for sous vide and stew, which includes the installation of temperature, humidity and microbial sensors for the use of environmental monitoring. It will enhance the overall production efficiency, as well as quality control and food safety, which will be conducive to exploring new markets and increasing competitiveness in the market. The aforementioned examples show that promoting re-industrialization can boost different industries and further economic development. Likewise, supporting the development of industries such as food processing in Hong Kong can also help to promote the development of re-industrialization locally.

Despite the fact that circumstances such as the COVID-19 epidemic in the past year or so have more or less affected our work in promoting I&T and re-industrialization, we have seen many entrepreneurs, one after another, express interests in investing in smart production in Hong Kong, and friends in the industries have been proactively upgrading their existing production lines towards Industry 4.0. These positive momentums demonstrate that our work in promoting re-industrialization is on the right track and our work is beginning to bear fruit. I have full confidence in the future development of I&T and re-industrialization. I would like to thank Mr CHOW for proposing earlier that the Government formulate a target for the manufacturing sector's contribution to GDP. The Government remains open as to whether the existing KPIs should be renewed, and will look into further support measures that are applicable to the actual situations in Hong Kong.

The National 14th Five-Year Plan and the development of the Greater Bay Area provide Hong Kong with endless opportunities. Apart from continuing to capitalize on our advantages of internationalization and marketization, we need to proactively integrate Hong Kong into the overall national development. Re-industrialization is a long-term policy and we need the continual, full support from various sectors in order to achieve results. We will continue to work in close collaboration with the industries, the academia and research institutions, and listen with an open mind to the views of the Council and various stakeholders, so as to better take forward various tasks to promote re-industrialization, thereby promoting the diversified development of the economy and improving people's livelihood.

Deputy President, I so submit. Thank you.

DEPUTY PRESIDENT (in Cantonese): I now call upon Mr Jimmy NG to move an amendment.

MR JIMMY NG (in Cantonese): Deputy President, I move my amendment.

The amendment moved by Mr Jimmy NG (See the marked-up version at Annex 1)

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr Jimmy NG be passed.

DEPUTY PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

DEPUTY PRESIDENT (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members present, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections.

I declare the amendment passed.

DEPUTY PRESIDENT (in Cantonese): Mr Holden CHOW, you still have 1 minute 19 seconds to reply. Then, the debate will come to a close.

MR HOLDEN CHOW (in Cantonese): First of all, I am very grateful to a number of Members for putting forward valuable opinions at the meeting today, in particular Mr Jimmy NG for his well-thought-out amendment. I believe,

reflecting in the speeches made by many colleagues' today, we all seem to have confidence in the re-industrialization of Hong Kong under "Industry 4.0". We all agree that we can achieve re-industrialization and do it well. Therefore, the key is to ask the Government to step up the existing measures. With regard to Gross Domestic Product ("GDP"), as we said, on the target for manufacturing sector's contribution to our GDP in percentage, I hope that you can set a target to spur the Government to do its best in this area.

I urge Members to support my motion today. I so submit.

DEPUTY PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Holden CHOW, as amended by Mr Jimmy NG, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

DEPUTY PRESIDENT (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members present, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections.

I declare the motion as amended passed.

DEPUTY PRESIDENT (in Cantonese): Member's motion with no legislative effect.

Mr Tony TSE will move a motion on "Reforming the housing policy to resolve the housing problem".

Two Members will move amendments to the motion.

This Council will proceed to a joint debate on the motion and the amendments.

Later, I will first call upon Mr Tony TSE to speak and move the motion. Then I will call upon Mr Wilson OR and Mr KWOK Wai-keung to speak in sequence, but they may not move their amendments at this stage.

The joint debate now begins. Members who wish to speak please press the "Request to speak" button.

I now call upon Mr Tony TSE to speak and move the motion.

MOTION ON "REFORMING THE HOUSING POLICY TO RESOLVE THE HOUSING PROBLEM"

MR TONY TSE (in Cantonese): Deputy President, I move that the motion, as printed on the Agenda, be passed. Deputy President, the Vice Premier of the State Council, HAN Zheng, has pointed out that the housing problem in Hong Kong has its own history and development process, and it is a hard nut to crack, but there must be a time to start solving it. If there is no consensus to implement a solution, and if we keep dragging our feet, the interests of the people will be harmed in the end. Now that the filibuster in the Legislative Council has been largely resolved, there is no reason for the SAR Government not to solve the housing problem in Hong Kong more efficiently.

As a representative of the Architectural, Surveying, Planning and Landscape Functional Constituency of the Legislative Council, I have always been very concerned about the land and housing issues in Hong Kong. The first Members' motion I proposed in the last legislature (2013) was exactly about housing. I requested the Government to formulate a standard for the average living space per person and a standard ratio of housing expenses to household income. Unfortunately, the officials in charge of the housing policy at that time did not adopt my proposal, and the lack of housing supply was said to be the reason behind. The only thing the Government did was to subsequently compile, for the first time, statistics on the average living space per person of Hong Kong people in the population census.

I by no means agree with the officials' reasoning. To solve the problem effectively, there must be targets and indicators so that government departments can work towards such targets and timetables, and take a multi-pronged approach to identify land for housing construction. If they fail to do so, they have to offer an explanation and even be held accountable, otherwise some officials and departments may do it slowly and haphazardly. I hope that the Government will explain to the public the housing units it plans to provide each year. It is very disappointing that eight years after the passage of my motion, not only is housing supply in Hong Kong still inadequate, but many people are also living in increasingly smaller and more expensive flats. Property prices have increased by nearly 60% compared to 2013, and the problems of nano flats and subdivided units are becoming more and more common. Many families have to spend more than half of their income on mortgage payments or rent, which not only affects the quality of life and widens the wealth gap, but also leads to escalating social discontent and many social, political and governance problems.

In view of this, I propose a motion again today to urge the Government to comprehensively reform Hong Kong's housing policy to practically resolve people's housing problem. Deputy President, my first proposal is still to ask the Government to formulate a standard for the average living space per person to provide Hong Kong people with a more spacious living environment. The Long Term Housing Strategy only talks about the number but not the size of the flats, which indirectly promotes the nanonization of housing units. At present, the allocation of public rental housing units should be based on the standard of an internal floor area of at least 7.5 sq m, or around 81 sq ft, per person, but the Government has not set such a standard for private housing. In recent years, some nano-flats have a usable area of only 100 sq ft or so, but they are often not for accommodating only one person. The situation is even worse in subdivided units, as it is not rare for a family of four to live in a unit of a few dozen square feet, and even the basic living space is not enough.

According to the 2016 Population By-census, the per capita living space of Hong Kong is only 161 sq ft, while that of Singapore is 323 sq ft, exactly twice the size of Hong Kong. But the total land area of Singapore is only 65% of that of Hong Kong. This reflects that the housing problem in Hong Kong is not simply due to the lack of land, but also due to inadequate policies and the Government's lack of goals for the living environment and quality of Hong Kong people.

My second proposal is a repetition of my request made eight years ago for formulating a standard ratio of housing expenses to household income. The current Government has adopted my proposal to link the sale price of subsidized housing to people's income, but it has not formulated any policy target on the ratio of private property prices and rents to household income.

From time to time, there will be a survey pointing out that Hong Kong's property prices or housing costs top the world. According to the latest projection, it takes 21 years for Hong Kong people to buy a flat without eating and drinking. Deputy President is also aware that the Government's harsh measures for the property market were first introduced in 2010 and have been tightened up many times. Eleven years have passed since then and the temporary measures seem to have become permanent policies. However, during this period, property prices keep rising, making many middle-class people and professionals unable to get on the housing ladder, unable to afford their mortgage payments or become "mortgage slaves". Some young people even feel desperate about home ownership, which affects their motivation to move upward and their sense of belonging to Hong Kong.

Although the Government has provided subsidized housing for sale at lower prices to help low- and middle-income families buy their own homes, and the types of housing available are more diversified than before, including Home Ownership Scheme flats and Green Form Subsidised Home Ownership Scheme flats and starter homes, the number of flats available is insufficient to meet the demand. In addition, many people feel that the balloting system is unfair, and there are some unlucky people whose numbers have not been drawn in the ballot even after eight or 10 attempts. Their hope has turned into disappointment and disappointment into despair. Some middle-class families are also ineligible to apply, but because of the current low loan-to-value ratio, they cannot afford to pay the down payment and buy private housing.

My third suggestion is to enhance the home ownership ladder, including reforming the balloting system for subsidized sale housing, so that those applicants who have been unsuccessful in the balloting for many times can have a higher chance of succeeding. I hope the Government will give some serious thought to this.

The fourth proposal is to review the policies on well-off tenants and under-occupation households in public rental housing, both of whom are beneficiaries of the public housing policy. The former is the result of the

increase in household income due to, for example, children who have grown up and started working, thus turning the tenants into well-off tenants. The latter is often the result of children who have started their own families and can afford to buy or rent their own homes, thus turning their parents into under-occupation tenants. It is only natural that they should return their public housing units or move into smaller units, so as to make the best use of the precious public housing resources for needy families with poorer living conditions.

However, the Hong Kong Housing Authority has successfully recovered very few units from well-off tenants, and next to none units from under-occupation households. It is necessary to conduct a review as soon as possible and use both the carrot and the stick to speed up the process of recovery or transfer. Some people also think that there should not be only one type of public rental housing, and suggest the introduction of subsidized rental housing at a relatively higher rent level but still lower than that for private housing, for those households who cannot afford to buy or rent private housing, but whose income is higher than the current income limit for families waiting for public housing.

The fifth proposal is to proactively cope with the ageing population and buildings by encouraging ageing in place and inter-generational harmony, as well as speeding up the redevelopment of old districts with a new mindset. In 2015, I joined hands with experts from different sectors to set up a working group to look into elderly-friendly housing and related support facilities. Many proposals were put forward to promote private housing development for the provision of elderly-friendly housing, including revising the existing planning standards and a number of regulations, but the Government has taken no follow-up action so far. The problem of "double ageing" in Hong Kong will become more and more serious with time, and I hope that the Government will deal with it decisively and effectively.

The last proposal is to reorganize the government structure responsible for housing, land, transport and environmental protection, and strengthen the Government's role as a "facilitator", so as to enhance the efficiency in identifying sites for housing construction and in vetting and approving development projects. The Chief Executive has said that she will conduct a comprehensive review of land and housing development policies, regulations and public engagement procedures in the hope of speeding up the process of identifying sites for housing construction. Having a unified Policy Bureau responsible for the review and legislative amendments will certainly be more effective than having two or even three bureaux to do the work separately.

With these remarks, Deputy President, I earnestly urge Members to support my motion.

Mr Tony TSE moved the following motion: (Translation)

"That this Council urges the Government to comprehensively reform Hong Kong's housing policy to practically resolve people's housing problem, thereby improving their living environment and upgrading their quality of life, with specific proposals including:

- (1) formulating a standard for the average living space per person to provide Hong Kong people with a more spacious living environment;
- (2) formulating a standard ratio of housing expenses to household income, so that the prices and rents of public and private housing can be maintained at a reasonable and affordable level;
- (3) enhancing the home ownership ladder, including reforming the balloting system for subsidized sale housing so that the middle class, singletons and young people can see the hope of acquiring their first property;
- (4) reviewing the policies on well-off tenants and under-occupation households in public rental housing and examining the introduction of subsidized rental housing with higher rents;
- (5) proactively coping with the ageing of population and buildings by encouraging ageing in place and inter-generational harmony and speeding up the redevelopment of old districts with a new mindset; and
- (6) reorganizing the government structure in respect of the policy areas of housing, land, transport and environmental protection, and strengthening the Government's role as a 'facilitator', so as to enhance the efficiency in identifying sites for housing construction and in vetting and approving development projects."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr Tony TSE be passed.

MR WILSON OR (in Cantonese): Deputy President, I am very grateful to Mr Tony TSE for proposing this motion, which points out that to solve the housing problem, it is necessary to reform the housing policy, and in order to reform the housing policy, we must start with the Long Term Housing Strategy ("LTHS").

To address the housing problem, the last-term SAR Government started to formulate a new LTHS in 2013. Regrettably, the LTHS only mentioned the vision of "helping all households in Hong Kong gain access to adequate and affordable housing", as well as the "supply-led" and "flexible" strategies of the housing policy. But in the whole LTHS, there is no mention of the policy objectives.

In fact, at the beginning of the two terms of the Government in 2013 and 2017, the two Chief Executives put forward in their respective policy address the policy objectives or elements of the housing policy. For example, in the 2013 Policy Address, it was mentioned that the objectives of the housing policy were to "assist grassroots families to secure public housing", "encourage those who can afford it to buy their own homes", etc., while in the 2017 Policy Address, the current Chief Executive, Mrs Carrie LAM, also mentioned that she would "focus on home-ownership to ... rekindle the hopes of families in different income brackets to become home-owners", "step up our effort in increasing the supply of housing units based on the LTHS", etc.

However, these policy objectives and elements that I cited above have never been included in LTHS. But LTHS involves the housing strategy for a decade or more and is theoretically the most important and central element and policy document of the housing policy. Yet, in this document there is only the supply target but not the policy objectives of any previous term of the Government at all.

Deputy President, since it is necessary to carry out a reform, it is impossible not to have an objective, and I think without a clear policy objective, the so-called housing policy is virtually hollow and useless. This will cause the entire housing policy and the related measures to lose their direction while the Government may prone to oversights or renege on its promises. On the other

hand, the lack of clear policy objectives will make it difficult for the community to grasp and apprehend the Government's housing policy, which will undermine the public confidence in the policy and arouse doubts among the public about the Government's ability to govern.

Deputy President, take the proposal made in the original motion of "provid[ing] Hong Kong people with a more spacious living environment" as an example. To provide a more spacious living environment, it is necessary to set a policy target for the average living space per person in order to complement the policy. But this target is not written in LTHS and without a "carrier" for the policy, the result is that LTHS will pay no heed to the policies proposed but perform its role separately. At the end of the day, after a decade has passed, the targets of LTHS may have been achieved but the average living space per person for Hong Kong people will not have the slightest improvement.

Deputy President, let me cite another example—the objective of "three-year waiting time for public rental housing ('PRH') allocation". Deputy President, as you know very well, "three-year waiting time for PRH allocation" is a general consensus of the community and the authorities have repeatedly stressed that they have not given up this target. However, the target of "three-year waiting time for PRH allocation" has never been incorporated in LTHS. As a result, even though Secretary Frank CHAN said that land had been identified for developing 310 000 units, which means achieving the target of LTHS, he dared not say that the pledge of "three-year waiting time for PRH allocation" can be fulfilled. Deputy President, we have formulated LTHS and the Secretary has to work day in day out in order to achieve the target, but what is it all for?

This is why, in my amendment today, I have particularly included an item which I consider to be a very important amendment. I hope that colleagues can support this amendment which calls on the Government to formulate clear policy objectives for LTHS, and I think in order to solve the housing problem, the Government should at least set the following policy objectives and directions which I have consistently proposed on various occasions, both inside and outside this Council.

First, the Government should establish a complete housing ladder, and the housing policy should strive to provide assistance and convenience for the public to move up the housing ladder; second, all Hong Kong citizens, regardless of

their years of residence, should be provided with basic housing protection under a housing safety net made up of transitional housing, rent control and rent assistance as we often suggested; third, all eligible Hong Kong citizens who have waited for PRH for three years should be given at least one opportunity for PRH allocation and that is, fulfilling the pledge of "three-year waiting time for PRH allocation"; and fourth, the Government should assist the public to achieve home ownership as a long-term goal and continuously improve the overall home ownership ratio, the average living space per person and the living environment.

Deputy President, I hope that colleagues in this Council can support this amendment. The housing problem is a very serious issue. It has aroused great attention in society and grave concern among all sectors of the community. I hope that the Government can consider our amendment from different perspectives, so that we can solve the problem. *(The buzzer sounded)* Thank you, Deputy President, I so submit.

DEPUTY PRESIDENT (in Cantonese): Mr Wilson OR, your speaking time is up.

MR KWOK WAI-KEUNG (in Cantonese): I also thank Mr Tony TSE for proposing the motion on "Reforming the housing policy to resolve the housing problem". As regards the amendment proposed by Mr Wilson OR, although we have proposed our amendments separately, the two amendments would actually achieve the same effect through different approaches. We are also working in the same direction, and our common goal is to return to reality pragmatically by sticking to the vision of maintaining the waiting time of three years for public rental housing ("PRH") allocation, which is getting farther and farther away from us. It is our hope that we can achieve the target of maintaining the waiting time of three years for PRH allocation. Deputy President, due to time constraint, I will directly elaborate on the four points of my amendment, which are not in conflict with the content of Mr Tony TSE's motion. They are indeed completely consistent, but I hope to refine it a little bit, or to highlight some important points.

To start with, regarding private residential flats, I mainly propose to stipulate the minimum size and the number of flats to be constructed in the land sale conditions, i.e. "flats with limited floor areas", which amounts to stemming the trend of constructing "nano flats". In fact, the soaring property prices in

Hong Kong have already resulted in a huge gap between such prices and the wages as well as income of the public. Therefore, property developers have adopted the approach of "trimming the toes to fit the shoes" by providing inferior flats at lower prices. To enable members of the public to purchase flats, developers would construct smaller units, or even those so-called "dragon bed units" which may only be a little larger than a parking space. Among the private flats completed in 2019 and 2020, there are respectively 982 and 799 "nano flats" with a saleable area of less than 20 sq m, accounting for about 4% to 7% of the total supply of private flats.

The problem of "sub-division" in private housing not only affects people's living space and living environment, but also runs counter to the objective of making Hong Kong a livable city. When compared with Singapore, which is of more or less the same size as Hong Kong, the average living floor area per person in private housing is about 150 square feet ("sq ft") in Hong Kong, but the figure is 300 sq ft in Singapore. Therefore, I think this undesirable phenomenon of constructing "nano flats" needs to be addressed, otherwise, it would only add to the discontent of the public when people are paying more for a smaller flat.

On subsidized housing, I propose that the Government should segregate the market completely, that is, to separate the private market from the subsidized housing market, in order to focus resources on helping the sandwich class to achieve home ownership. As a matter of fact, the public-private housing split is currently set at 7:3 after taking into account the greater demand for public housing. Yet, if it turns out that 4 000 to 5 000 units among the 70% of public housing units newly built would become private housing units every year since they will be sold in the open market after a premium has been paid, then the ratio of 7:3 would virtually exist in name only. In fact, the Government pointed out in its reply to a question earlier on that about 700 to 900 subsidized housing units would be turned into private flats each year after a premium had been paid. Although the number is not particularly high, such a trend and change will make it impossible for flats in the free market to be resold in the Home Ownership Scheme ("HOS") secondary market because they have already been sold, thus reducing the opportunity and space for families in need to buy these flats. Therefore, we propose to segregate the market.

Deputy President, about 61 000 subsidized housing units with a premium paid have already become private housing units at present, accounting for 15% of the total number of subsidized sale housing flats. Therefore, with a view to

reducing the continuous outflow of subsidized flats to the private housing market and providing a clear segregation between the two housing markets, I propose that the Government should abolish the arrangement of removing the alienation restrictions by paying a premium in respect of subsidized housing newly built in the future. In this way, subsidized housing flats can only be circulated in the HOS secondary market. This will ensure that the two markets are clearly segregated and that those who need to address their housing needs can have their own housing ladder.

Deputy President, the pledge of three-year waiting time for PRH allocation should of course be included in the Long Term Housing Strategy ("LTHS"); while a review of the Waiting List for PRH should be conducted as well. They cannot merely say something which is no more than empty talk. In addition, they cannot allow a situation like LTHS to arise, that is, new debts emerges before old debts are settled. And then, they would treat it as if they have never mentioned it, such that the housing units that they owe us would vanish in one go. This is absolutely unacceptable.

I so submit. Thank you, Deputy President.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, I thank Mr Tony TSE for proposing the motion today and Mr Wilson OR and Mr KWOK Wai-keung for their amendments. The motion concerns various issues in the housing policy area. Please allow me to first give a consolidated response to the major views raised in the motion. Later on, after listening to Members' views, Under Secretary Mr TSE Chin-wan, Under Secretary Mr LIU Chun-san and I will give further responses to the amendments and Members' views.

Housing has always been one of the most challenging issues of concern in Hong Kong society. We understand that the imbalance between housing supply and demand, high property prices and rents, increasing waiting time for public housing, etc. are issues of immediate concern to the general public. Land and housing policies have always been the top priority among the Government's work. We have all along worked with the utmost determination to actively identify land for housing development, enrich the housing ladder and endeavour to help grass-roots families to move into adequate and affordable housing. At the same time, we have implemented various policy initiatives to enhance people's living environment and quality of life.

The philosophy of the Government's public housing policy is to provide adequate and affordable public rental housing ("PRH") to low-income families with housing needs, and to address the home ownership aspirations of low- and middle-income families through the introduction of subsidized sale flats. At the end of last year, the Government announced that 330 hectares of land had been identified for the construction of 316 000 public housing units, which will meet the demand for some 301 000 public housing units over the next decade. There is no doubt that such an outcome will be greatly conducive to realizing the public housing vision in the long run, but we will not take lightly the challenges during the course from land development to construction. Our efforts will not slacken. The relevant government bureaux and departments, as well as the Hong Kong Housing Authority ("HA"), will do their utmost.

The motion proposes to proactively cope with the ageing of population by encouraging ageing in place and inter-generational harmony. While we strive to identify sites for housing development, we have also been doing our best to cater for the everyday needs of residents in public housing estates and enhance their quality of life.

As a matter of fact, there are quite a number of priority measures under the current public housing policy to address the housing needs of elderly families. In respect of PRH allocation, HA has various PRH schemes which accord priority to elderly applicants. Elderly singletons may apply for PRH under the Single Elderly Persons Priority Scheme, while elderly persons living with their families may choose to apply for PRH under the Harmonious Families Priority Scheme as an ordinary family. As regards the purchase of subsidized sale flats, there is also the Priority Scheme for Families with Elderly Members among the subsidized sale schemes.

We have always spared no effort in creating elderly-friendly communities in public housing estates. At present, all the newly built estates have adopted the universal design with barrier-free facilities to provide convenience to the elderly and wheelchair users. Regarding the old housing estates, HA has undertaken necessary modification or adaptation works for elderly tenants free of charge. Where necessary, we will seek advice from physiotherapists or even doctors to provide appropriate support to the elderly.

We have noted the view in the community on improving the living environment of existing PRH tenants and increasing the supply of public housing through redevelopment of aged estates. HA has all along carefully considered redevelopment of individual PRH estates based on four basic principles, i.e. structural conditions of buildings, cost-effectiveness of repair works, availability of suitable rehousing resources in the vicinity of the estates to be redeveloped, and build-back potential upon redevelopment, having regard to the actual circumstances.

However, we hope Members will understand that during the process of redeveloping a public housing estate, HA needs to identify a site near the estate proposed for redevelopment for the construction of new flats, then move the existing tenants of the old estate into the newly constructed PRH flats, followed by clearance of the vacated old estate and construction of new PRH flats on the same site. The whole process usually takes 10 years or more. Although the project as a whole may generate additional flats, the flats constructed in the initial phase of redevelopment will be used for rehousing the PRH tenants affected by the redevelopment. For this reason, the number of flats available for allocation to PRH applicants will be reduced forthwith, thus inevitably lengthening the waiting time of families on the PRH waiting list. The additional flats will only be available at a later stage of the project. We recognize the need to redevelop individual public housing estates in the long term, but the urgent housing need of PRH applicants cannot be neglected. We are aware that about 110 000 households are currently living in subdivided units. We therefore need to make orderly planning for the redevelopment of individual estates as far as practicable, so as to avoid aggravating the tight supply of PRH.

Apart from identifying sites for housing development to enhance the living environment and quality of life of the public, we are fully aware of the importance of ensuring proper use of the precious PRH resources. Regarding the Well-off Tenants Policies ("WTP"), to ensure that efforts would be focused on allocating PRH to those with more pressing housing needs, HA has implemented the revised WTP since 2017, under which PRH households whose family income exceeds 5 times the existing PRH income limits or whose total net household assets exceed 100 times the existing PRH income limits should vacate their PRH flats. PRH households who have domestic property ownership in Hong Kong should vacate their PRH flats, irrespective of their levels of income or assets. Under the current arrangements, the limited PRH resources can be effectively provided to people and families with genuine needs.

Under the existing WTP, for households who do not have domestic property ownership in Hong Kong, if their household income is higher than 2 times but less than 3 times the existing PRH income limits, they will be required to pay 1.5 times net rent (plus rates); if their household income is higher than 3 times but less than 5 times the existing PRH income limits, they will be required to pay double net rent (plus rates). We believe this arrangement has struck a balance among the people's aspirations.

As regards the under-occupation policy, HA has been recovering larger flats for re-allocation to larger families on the PRH waiting list or overcrowded households by requiring under-occupation households with excessive living space to move to another PRH unit of a more appropriate size. In the past five years, HA handled about 2 200 cases on average each year. Besides, in December 2019, HA introduced a measure whereby under-occupation households whose family members are all aged 70 or above will enjoy full rent exemption for life if they choose to move to smaller PRH units. As at the end of last month, HA has approved about 390 applications, of which 86 households have accepted the allocation. We believe that the aforesaid policy can meet the expectation in society on ensuring effective utilization of PRH resources.

Apart from focusing PRH resources on those in need, it is equally important to set the PRH rent at an affordable level, which is our established policy. The Housing Ordinance stipulates that HA shall review the PRH rent every two years in accordance with the statutory mechanism and adjust the rent based on the change in the income index worked out in that rental review. There is a 10% cap in the case of rent increase, while there is no lower limit in the case of rent reduction. In addition, the Housing Ordinance provides that HA may remit tenants' rent for such a period as it thinks fit. On the one hand, the said mechanism provides an objective basis for HA to determine when the PRH rent should be adjusted and by how much, taking into account the tenants' affordability. On the other hand, it provides sufficient flexibility for HA to offer more assistance to the residents in a timely manner. In view of the impact of the COVID-19 epidemic on the overall socio-economic environment and PRH tenants, after striking a balance between the PRH tenants' affordability and the healthy and sustainable development of HA's finances, HA approved the provision of the rent waiver to PRH tenants in September last year and September this year when it adjusted the PRH rent in July last year.

As I said just now, apart from providing affordable rental housing for low-income families, an important part of the housing policy is to address the home ownership aspirations of low- and middle-income families through the introduction of subsidized sale flats. The pricing policy and flat selection priorities are also of public concern. I wish to briefly explain the current policy and philosophy here.

The objective of the pricing policy for subsidized sale flats is certainly to make these flats affordable to low- and middle income families. In 2018, we revised the pricing policy for subsidized sale flats by delinking the selling price from the private property market. Instead, we adopt the median monthly income of non-owner occupier households as the basis for affordability assessment, and require that the monthly mortgage repayment shall not exceed 40% of the household income, while ensuring that at least 75% (up from 50%) of the flats put up for sale under the same sale exercise are affordable. In regularizing the Green Form Subsidised Home Ownership Scheme ("GSH") in 2018, HA also decided that GSH flats would be sold at a discount of 10% more than that in the preceding sale exercise of the Home Ownership Scheme. Under the revised pricing policy, the subsidized sale flats are more affordable to eligible applicants.

Apart from making subsidized sale flats affordable to buyers, we also need to ensure that applicants with a greater need for home ownership can enjoy higher priority in flat selection, so as to achieve effective utilization of housing resources. In this regard, before the commencement of each sale exercise, HA will work out the details on the sale, including the flat selection priority for different categories of applicants. Take the sales arrangements for GSH 2020-2021 approved by HA in March this year as an example. The priority in flat selection for applicants is as follows: family applicants affected by HA's announced clearance programme(s), family applicants applying under the Priority Scheme for Families with Elderly Members, other family applicants, one-person applicants affected by HA's announced clearance programme(s), and the last one, other one-person applicants. The current flat selection priority can basically strike a balance among the expectations of various parties despite the tight supply of public housing. Of course, we hope that we will be able to satisfy the expectations of all the applicants on the waiting list when there is sufficient land supply in the future.

Besides, I wish to take this opportunity to share with Members the new technology applied in public housing development projects. In response to the proposal in the 2017 Policy Address to introduce the modular integrated construction ("MiC"), HA has been actively exploring the feasibility of applying MiC in public housing projects from a technical perspective, with a view to expediting the construction process and enhancing efficiency through the use of new technology which is site-specific. HA has selected a 12-storey residential block in Area 99, Tung Chung to conduct a pilot project for the application of MiC. The project will commence within this year and is expected to be completed in 2024. A 33-storey residential block in Tak Tin Street as well as two 28-storey and one 17-storey residential blocks at Anderson Road Quarry have also been selected for the next round of projects applying MiC, so as to formulate solutions using MiC under different site constraints. HA will continue to actively select more projects suitable for adopting MiC, with a view to fully leveraging on the advantages of technological development to construct adequate housing for people in need.

Deputy President, in respect of private housing, the Government has been committed to maintaining the healthy development of the private residential property market. Apart from actively expanding land resources and expediting land formation and infrastructure development to increase land and housing supply, the Government has also adopted demand-side management measures to stabilize the residential property market, including the Special Stamp Duty, Buyer's Stamp Duty and New Residential Stamp Duty. As in the past, the Government will continue to monitor the situation in the residential property market and draw reference from relevant indicators. It will take proper measures to respond to changes in the market when appropriate.

Following the Government's announcement at the end of last year that it had identified sufficient land to meet the target for the supply of public housing units in the next 10 years, there is a view in society that we have sufficient space to further increase the average living space per person. We fully appreciate this view and suggestion in society.

In actively identifying and creating land, the Government certainly seeks to improve the people's quality of living, including the environment and space, as there is no doubt that people wish to have a more spacious living environment. However, despite the Government's efforts to increase the land and housing

supply, the overall resources available for public housing development in Hong Kong are still limited. Hence, we must make optimal use of land resources based on the order of priority. At present, the most pressing problem we need to address is the shortage of housing supply. We must first make use of the limited land resources to provide more flats to resolve the housing problem of families in need, such as those living in inadequate housing, and applicants who have been waiting for PRH for a long time.

In the long run, it is expected that when the land and housing supply becomes available and stable, the average waiting time for PRH will be substantially reduced, after which we can explore in due course whether and in what way the living space of people residing in PRH, subsidized sale flats and private residential flats can be further increased. In this regard, we must conduct an in-depth study and give consideration in a holistic manner, including the impact of increasing the average living space per person on the average waiting time for PRH and the overall public housing development, and how to handle the allocation and transfer arrangements in accordance with the new standards. We share Members' views, but we need to first deal with the more than 150 000 families currently on the PRH waiting list, 100 000 singleton applicants and 110 000 households living in inadequate housing.

Apart from the housing policy, Members have proposed to reorganize the government structure in respect of the policy areas of housing, land, transport and environmental protection. Reorganization of Policy Bureaux is an important issue which involves complicated considerations, preparations and legislative amendments. The process takes time and cannot be achieved overnight. The Government will continue to listen to the views of all parties on how to consolidate and enhance the policies on land, housing, transport and environmental protection in order to strive for excellence.

Deputy President, the two Under Secretaries and I will add information and make further responses as appropriate after listening to the speeches made by Members in the debate.

I am grateful to the three Members who have just spoken. I hope that in the future, they will give us more advice and support on land and housing development, as well as the provision of PRH for the grass roots. Thank you.

IR DR LO WAI-KWOK (in Cantonese): Deputy President, before all else, I would like to thank Mr Tony TSE for moving the original motion as well as Mr Wilson OR and Mr KWOK Wai-keung for moving their amendments respectively, so that we can discuss the housing issue which is a matter of the utmost concern to the public.

Deputy President, the living space of Hong Kong people is very small. Not only is housing getting more and more expensive, but the living space is getting smaller and smaller. The average waiting time of general public housing applicants has reached 5.8 years, hitting a record high in 22 years, thereby resulting in widespread grievances among members of the public.

The Business and Professionals Alliance for Hong Kong ("BPA") has all along attached great importance to this issue. We have also urged the Government to comprehensively reform Hong Kong's housing policy, including formulating a standard for the average living space per person, enhancing the home ownership ladder, and proactively coping with problems such as the ageing population and buildings, so as to improve people's living environment and enhance their quality of life in a practical manner.

(THE PRESIDENT resumed the Chair)

On 7 June, BPA released a 10-year housing plan for Hong Kong, proposing that the SAR Government should change its current passive role, which formulates piecemeal policies to deal with problems on an ad hoc basis and create land in a rush for the sake of expediency, into an active and comprehensive planning role to increase land and housing supply through a multi-pronged approach.

BPA's 10-year housing plan proposes to formulate indicators for our vision, such as increasing the per capita living space from 161 square feet ("sq ft") to 200 sq ft, developing 2 400 hectares of land and providing an additional 650 000 public and private housing units, with a view to solving the deep-seated housing problem in Hong Kong at root.

President, the Government should adopt an innovative mindset to increase housing supply through a multi-pronged approach. BPA proposes that in the long run, the Government should rezone 3% of the total area of country parks

(about 1 329 hectares of land) on their periphery to residential use. At the same time, the Government should embark on massive land development in the New Territories by expediting the development of the land of the former Frontier Closed Area and progressively opening up the closed area of Sha Tau Kok Town. To unleash the potential of existing land, the Government should also speed up the redevelopment of old public housing estates while raising the maximum development density of land in the urban areas and the New Territories.

BPA also urges the authorities to, through proactively invoking the Lands Resumption Ordinance, expedite the resumption of brownfield sites, Tso/Tong lands and idle agricultural land, etc. in the New Territories. In addition, the authorities should review and rationalize the housing ladder so as to cater for the strong aspirations for home ownership of the middle class and young families. On the one hand, the authorities should review home ownership schemes previously launched which were effective in helping people acquire their own homes, and re-launch the enhanced Home Starter Loan Scheme and Sandwich Class Housing Scheme, etc. On the other hand, the authorities can pursue cooperation with developers in building small and inexpensive housing units, so as to provide appropriate rent-or-buy flats for eligible young families to help young people take the first step for home ownership.

President, we should refrain from taking inappropriate measures in a haphazard manner when exploring measures to increase local housing supply. Mr Wilson OR has proposed in his amendment that the existing stamp duty on property transactions should be adjusted to plug potential tax avoidance loopholes for "bogus first home purchase". BPA has repeatedly urged the authorities to abolish the harsh measures in respect of stamp duty, but on the premise that the existing policy would continue to be implemented, we do not object to introducing minor modifications in order to plug the tax avoidance loopholes and to alleviate the burden on genuine first-time home buyers.

With regard to Mr KWOK Wai-keung's amendment, he has proposed to stipulate the minimum size and the number of flats to be constructed in the land sale conditions to regulate "nano flats". While all of us are aware of the problem that people have to pay high rent but live in small units in Hong Kong, it is not advisable to impose restrictions by means of the land sale conditions. This also ignores the fact that there is a real demand to a certain extent for small flats in the market.

In conclusion, BPA believes that artificially suppressing market demand or supply and distorting market operations will not help much in addressing the housing needs of the public. The fundamental solution is to find ways to increase land and housing supply.

Just now Secretary Frank CHAN has explained the reason for not actively carrying out redevelopment of old housing estates, but I do not agree with his reasons. It is because BPA's proposal is to construct new public housing blocks, and speaking of the redevelopment of old housing estates (*The buzzer sounded*) ... they are actually two different directions which can coexist ...

PRESIDENT (in Cantonese): Ir Dr LO Wai-kwok, please stop speaking immediately.

IR DR LO WAI-KWOK (in Cantonese): ... I so submit.

PRESIDENT (in Cantonese): I think it will be unlikely for this Council to finish this motion debate today. Six Members have already pressed the "Request to speak" button. Therefore, I will suspend the meeting at around 6:30 pm until 9:00 am tomorrow.

Mr LAU Kwok-fan, please speak.

MR LAU KWOK-FAN (in Cantonese): President, I support the motion on "Reforming the housing policy to resolve the housing problem" proposed by Mr Tony TSE. I am grateful to Mr Wilson OR and Mr KWOK Wai-keung for proposing their amendments, and I also thank the Secretary for spending a lot of time to recap the housing policy for us just now. But after the recap, it seems I cannot find many positive responses from the Secretary to today's motion.

Given the time constraint, I mainly wish to talk about two areas. The first one is about standards and the second one, structure. Standards are highly important. The motion and the amendments today have mentioned several standards, including the standard for the average living space per person, the

standard of three-year waiting time for public rental housing ("PRH") allocation, and the standard for determining a reasonable rent level. In fact, I understand that it is difficult to set these standards, but the formulation of these standards precisely represents how committed the SAR Government is to the housing policy and housing reform, and how much work it is willing to do. In the Legislative Council, we often hear the SAR Government talk about its hard efforts to speed up the work and seek land supply, but all these things are abstract. I know the authorities are working hard, but how can I monitor how hard they have actually worked to achieve the goals? There is no way at all.

As the saying goes, "No comparison, no harm". When I was drafting this speech, I read the news about Shenzhen. In August 2020, the average living space per person in Shenzhen was 27 sq m, i.e. 290 sq ft. However, the Planning and Natural Resources Bureau of Shenzhen Municipality has recently announced certain measures to further increase the supply of residential land, setting the standard for the average living space per person at 40 sq m, i.e. 430 sq ft, which must be attained by 2035. Proactive and willing to take up responsibilities, they have raised the target by 140 sq ft from 290 sq ft to 430 sq ft, which is certainly reasonable as it is the standard set for 15 years later. We are not asking the SAR Government to raise the standard to make the living environment more spacious tomorrow, but at least it should tell us—even if it is 10, 15 or 20 years from now—a standard so that we will know in what direction the average living space per person will go to make the people's living environment more and more comfortable, rather than increasingly crowded as it is now. The Government should also provide us with a standard stating how many years it will take to achieve the objective of three-year waiting time for PRH allocation again. However, it is quite disappointing that I heard neither the Secretary today or the Government in the past make any solemn pledge on how much can be achieved and how long it will take. Without such standards, it is actually impossible for Members to monitor the Government's work. Hence, I hope that after listening to our views, the Government will formulate some standards expeditiously.

The second point is about structure. In fact, the structural problem is most obvious. Just now redevelopment of housing estates was mentioned. Even in the Housing Authority ("HA") alone, it already sounds very difficult. There is the need to construct a new housing estate on the one hand and rehouse the residents on the other, which is rather difficult. They keep saying it is difficult.

A case in point I have personally experienced is the North East New Territories. In fact, while it dragged on for such a long time, one of the biggest obstacles was precisely the lack of coordination among the departments. The Secretary for Development is here today. So is Frank, the Secretary for Transport and Housing. I believe they may recall that back then, I fought for exemption from the means test to help squatter residents to be allocated PRH flats as soon as possible, so that a consensus could be reached expeditiously in support of the development of the new town in North East New Territories. But the problem was that even though the Development Bureau was willing to help promote it, the Transport and Housing Bureau and HA said that if they allocated several hundred flats, it seemed to be unfair to those on the PRH waiting list. Did they actually know how to do the math? If they allocated a few hundred or even 2 000 flats, there would be several ten thousand additional flats in the future. It was such a simple mathematics question, but they failed to work it out. There was only one reason, that is, each department just cared about its own report card and was thus unwilling to coordinate with others. This is a specific example of obstruction to Hong Kong's housing development. For this reason, I strongly support the proposal in the motion on reorganizing the government structure and enhancing coordination. Given the time constraint, I hope that the Government can be more specific in its response to me on such areas as standards and structure.

With these remarks, President, I support the motion. Thank you.

MR YIU SI-WING (in Cantonese): Housing is the most basic life necessity. Having a stable and comfortable home is the basis for people to plan their family life. As the saying goes, "only when people have a comfortable place to live can they work happily". According to survey reports published by a number of organizations, Hong Kong has been the world's least affordable housing market numerous times. Hong Kong people need to save up for 20 years without spending a single dollar on food and drinks to afford a home.

Between 2004 and 2020, the median household income only increased by 78%, while property prices surged by 3.9 times in the same period. Meanwhile, the waiting time for public rental housing ("PRH") shows an upward trend. As at the end of March 2021, the average waiting time for general applicants was 5.8 years. Hong Kong people are caught in a vicious cycle of "decreasing living space and escalating housing expenses".

President, I support Mr Tony TSE's motion on comprehensively reforming Hong Kong's housing policy to resolve people's housing problem. Hong Kong's housing problem is intricate, with the housing problem of the grass roots being the most difficult to solve. At present, the grass roots living in PRH account for 44.6% of Hong Kong's population. As land for housing is as valuable as gold in Hong Kong, waiting for PRH is still the best hope for people to solve their housing problem. Families which are fortunate enough to be allocated a PRH unit only need to pay a monthly rent of \$2,800 for a unit with a "saleable area" of some 300 sq ft. They do not need to pay miscellaneous charges or worry about substantial rental increases. As they do not have to face the pressure of forced eviction, they tend to live there for their whole life. Even if there are new family members and their income and savings have increased, most of them are unwilling to give up their existing PRH units. One of the reasons is that the vetting for the allocation of large units is not easy to pass. The second reason is that private housing is too expensive and the supply of Home Ownership Scheme flats is limited. As a result, between 2006 and 2016, the turnover rate of private housing was 7.9% on average, but that of PRH was only 0.8%. This shows that, on average, the turnover rate of PRH is one tenth of that of private housing. Given the low turnover of PRH and excessive demand, it is no surprise that the waiting time for PRH becomes longer and longer.

President, while it is certainly important to boost supply, it is equally worthwhile to explore ways to increase the turnover of the existing 1.2 million PRH units in order to maximize their use, as the review of the policies on well-off tenants and under-occupation households in PRH and examination of the introduction of subsidized rental housing with higher rents proposed by Mr Tony TSE. The Government may introduce a ladder of swapping units to PRH to encourage tenants who want larger units to make their own choice. At present, the authorities have a similar mechanism in place, which only allows tenants to move to larger units when their families have grown in size. I think the Government can introduce a points system to select eligible tenants who want to move to larger units according to the total points they get in terms of their length of residence, household size, location, justification, etc. The rent paid by these tenants should be higher than double rent paid by well-off tenants at present. The authorities may consider setting the rent at one third of market rent, or even higher. This can gradually improve the living environment of families in PRH, providing them with a more spacious living environment without affecting PRH supply, and also increase Government revenue. Why would the authorities not do so?

Of course, any scheme should be implemented only when there is sufficient land supply. Just after the return of sovereignty, the SAR Government announced the housing policy of "85 000 units". The financial turmoil erupted afterwards put the Government under fire, prompting it to make a U-turn by propping up the market with reduced land supply and inactive land sales for at least seven consecutive years. In consequence, Hong Kong's housing supply has been tight for quite some time. Even though the Governments of the previous and current term have expedited land supply, it is difficult to rectify the long-standing situation. Land and housing problems are still Hong Kong's deep-seated problems which are hard to resolve. The Government said that it will not give up and will seek to identify land to satisfy the current and future development needs (*The buzzer sounded*) ... but I think the Government should continue its efforts ...

PRESIDENT (in Cantonese): Mr YIU Si-wing, please stop speaking.

MR YIU SI-WING (in Cantonese): ... to formulate better policies.

MR JEFFREY LAM (in Cantonese): President, the high property prices in Hong Kong have topped the world for many years in a row. Many foreigners would be shocked when they first learn of the living environment and property prices in Hong Kong. There is no doubt that the housing problem has exerted impact on society in every respect. The grass roots who are still waiting to be allocated public housing are forced to live in subdivided units in the interim; fledgling young couples, though probably highly educated and have high income, can hardly afford a down payment of over a million dollars within a short period of time; families with children find it much more difficult to switch homes despite earning good income. Many people are unable to climb one step up the home ownership ladder, and it does affect the daily life of Hong Kong people.

People pin their hopes for improvement of their lives on housing, which is also an incentive for people to work hard and seek upward mobility. Public housing provides grass-roots families with affordable housing. The Home Ownership Scheme ("HOS") and other subsidized housing enable families with decent income to acquire their first properties and achieve home ownership. Private housing offers diverse and quality options, which can also be regarded as an asset.

Over the past decade, the Government has done a lot with regard to housing. Officials may cite in their speeches a long list of achievements, such as the number of new public housing units and the number of private housing units, but is the policy objective as simple as a number?

The reality is that there is a shortage of both public and private housing, and the types of housing ladder fail to meet the needs of the target group. For example, young people, being unable to buy HOS flats through ballot, can only try every means to buy private flats. That is why there are so many one-room flats in new property developments, because they have to match the purchasing power of the market. From this perspective, the Government's performance in terms of housing policy can hardly be considered satisfactory.

Rightly as we have kept pointing out, the Government thought that the "curb measures" could suppress property prices, but the reality is that they have reduced supply in the second-hand property market, rendering a higher down payment required for purchase of first properties. Some people even think that such measures hinder rather than assist people in purchasing properties. As regards market prices, we see that they continue to rise nonetheless. The "curb measures" were intended to buy time for increasing housing supply, but after 10 years, the progress of land formation and housing construction has not been very satisfactory. When the existing measures are not quite effective, people's eagerness has turned into helplessness. Will the officials give it some serious thought and try to adjust the measures to test the market responses? We had made some suggestions, such as relaxing the requirements of the stress test, adjusting the double ad valorem stamp duty for persons switching homes, or suspending some of the "curb measures" for a year. The officials have just repeatedly said that they are "keeping a close eye on the market", but doing nothing.

The Government often expresses concern that if these measures are really introduced and some policies are changed, the wrong message will be sent to the market. But in effect, messages from the United States Federal Reserve have far greater influence than those of the SAR Government. People have waited years after years and property prices have gone up 10% after 10%. And officials have been standing still and doing nothing because they are worried, but the property market will not stand still just because they are worried. They have to ask the public if they are satisfied and if there is a way to help them and the Hong Kong society develop.

As the saying goes, "Wishing there would be tens of thousands of spacious houses". People want to have a home for contented living, and this wish is not in any sense excessive. The housing problem has been discussed in the Legislative Council for many years, and property prices have been rising for many years. There are also many different factors affecting the property market, but the Government must accord top priority to its housing policy. I hope the Government can take proactive actions to help people live and work in contentment. I believe it is also the Central Authorities' wish. One year after the implementation of the Hong Kong National Security Law, our society is stable. Also, we have now improved the Rules of Procedure. I very much hope that in a relatively more stable environment, the public can achieve home ownership as soon as possible and live and work in contentment.

President, I so submit.

MR TOMMY CHEUNG (in Cantonese): President, I speak in opposition to Mr Tony TSE's motion on "Reforming the housing policy to resolve the housing problem".

As for (1) "formulating a standard for the average living space per person to provide Hong Kong people with a more spacious living environment", both the Liberal Party and I cannot agree with such slogan-like statement. We also cannot agree with (2), that is, "formulating a standard ratio of housing expenses to household income, so that the prices and rents of public and private housing can be maintained at a reasonable and affordable level" since the Liberal Party has all along opposed any form of intervention in the market, including tenancy control, and firmly upholds the principle of free market and market-driven price setting.

President, who does not want to increase average living space per person? However, as the waiting time for public rental housing ("PRH") is 5.4 years at present, we should deal with the aspiration for a more spacious living environment at a later stage. The existing PRH residents may want to have a more spacious living environment in their PRH units, but the most urgent task is to increase land supply. With regard to the Policy Addresses in the last two or three years, we told the Chief Executive that the Liberal Party had constantly thrown our support behind every proposal to increase land supply, including development of land on the periphery of country parks without ecological value, large-scale reclamation in the Central Waters, brownfield development and green

belt development. We also support the principle of according priority to building infrastructure, as we believe that sufficient supply is the real solution to the housing problem, including small living space and high property prices.

As far as the so-called "average living space per person" is concerned, it serves as a reference for the construction of PRH. Is it applicable to private housing? Private housing has its own standards. In recent years, "nano flats" have been sold at several tens of thousand dollars a square foot, but there are still a lot of people willing to purchase these flats given the supply and demand in the market. The small lump-sum required by "nano flats" enables those who barely afford their first properties to purchase their first homes, and switch homes later on. This is the market at work. You cannot resolve the problem by simply setting the price. The Liberal Party fully respects free market, while the wording of Mr TSE's motion runs completely counter to the principles of free market and free choice.

Besides, I have never heard people say that PRH was too expensive. On the contrary, I only heard people say that there were too many well-off PRH tenants, and there were more expensive cars in PRH car parks than on the streets, otherwise the Government does not need to implement Well-off Tenants Policies to force them to return their PRH units.

To implement Mr TSE's proposals, I am not sure whether the Secretary for Transport and Housing would agree or not, I believe Hong Kong Housing Authority may need to, as far as I am concerned, create at least 2 000 or 3 000 additional posts before the percentage of the income of each household in the current rent can be formulated. If the rent has exceeded the prescribed percentage, please bring it down. How much effort can the authorities make in working out the percentage? In fact, we are also using taxpayers' money to do the job. I doubt if it is necessary to provide a more spacious living environment and to make all the effort. It is too time-consuming and cumbersome and is not effective at all.

With due respect, I really do not understand who the target beneficiaries of Mr TSE's motion proposed this time are.

President, I oppose Mr TSE's motion on "Reforming the housing policy to resolve the housing problem". I so submit.

MR KENNETH LAU (in Cantonese): President, first of all, I would like to declare that my family members own land in the New Territories.

The housing problem is regarded as one of the major social conflicts in Hong Kong. Given the tight land supply and persistently high property prices, Hong Kong has been the world's most unaffordable city in terms of property prices for a long time. The housing problem has all along troubled many Hong Kong people.

I am glad to see that the Government is actively responding to the housing needs of the public. It is announced in this year's Policy Address that 330 hectares of land have been identified for residential use. Such land supply mainly comes from reclamation in Tung Chung, and the various New Development Areas ("NDAs") such as Kwu Tung North/Fanling North and Hung Shui Kiu/Ha Tsuen. There will be a significant increase in the supply of residential units as it is expected that more than 300 000 units can be built in the coming 10 years, which is conducive to improving the living environment of the grass roots. I hope that the development of the various NDAs will be kick-started as early as possible to meet the needs for housing and other social development. Yet, the development of NDAs will inevitably lead to the resumption of private land such as agricultural land and brownfields. The Government must take into account both the housing needs of the public and the rights of land owners in order to achieve a win-win result.

Apart from developing NDAs, urban renewal is another practical solution. The housing problem does not only concern the living area, but the living environment is equally important. In recent years, the Urban Renewal Authority ("URA") has sought to adopt a planning-led approach when carrying out redevelopment in older communities such as Kwun Tong Town Centre on a larger scale and in a more comprehensive manner. I believe it can improve the overall planning and help to enhance the livability of those communities while creating a comfortable living space for the residents.

Having said that, although URA has launched 64 redevelopment projects in the past two decades, only 20 of them have been completed so far. The pace of redevelopment is rather slow. It is really necessary for URA to review the existing mechanism with a view to expediting the implementation of redevelopment projects to avoid lagging behind the pace of urban ageing.

President, in order to make the best use of land resources and effectively resolve the housing shortage problem, the Heung Yee Kuk, New Territories ("HYK") is more than willing to stand with the general public and work in collaboration with the Government to study the feasibility of converting small houses into "small buildings". In fact, the Lands Department has a backlog of over 10 000 applications for building small houses due to the slow vetting and approval process in recent years. In the long run, there will be fewer and fewer sites available for building small houses in the New Territories. It is true that the three-storey height limit imposed on small houses has failed to optimize the use of our precious land resources. Therefore, HYK has always kept an open attitude towards exploring the multi-storey development of small houses.

HYK suggests that the Government may draw reference from the development approach of "villages in towns" in the Mainland to identify suitable Village Type Development zones as pilot sites for appropriately increasing the development density of small houses, on which the construction of multi-storey "small buildings" will be allowed. As regards the details such as the number of floors as our ultimate target, the size of each unit and the method of allocation, we can conduct a further study having regard to the size and condition of the site.

I hope that by relaxing the plot ratio and increasing the number of flat units, some of these units will be made available for purchase by indigenous villagers, while some of them can be allocated to public housing or first-time home ownership schemes, so as to increase the overall housing supply in Hong Kong and meet the housing needs of indigenous villagers as well as members of the public at the same time. In this way, we can make concerted efforts to resolve the problem of housing shortage.

President, I so submit.

MS STARRY LEE (in Cantonese): President, in the debate on the 2019 Policy Address, I pointed out that there are three "evil mountains" hindering the development of Hong Kong, and among these three "evil mountains", certainly the housing and land problem is most evil and most difficult to deal with. When we see group after group of marginalized middle-class people who consider it a wishful thinking to be able to afford a "nano flat" measuring no more than 180 sq ft, and when we hear that a luxurious subdivided unit can cost over \$10 million, I think this is nothing to be happy about but a sad story of Hong Kong.

President, I am grateful to Mr Tony TSE for raising this very important issue today. Regarding how the housing policy should be reformed, actually various political parties and many Members have put forward a lot of valuable views worthy of reference by the authorities, and I am not going to make any repetition. Mr Wilson OR and Mr LAU Kwok-fan of the Democratic Alliance for the Betterment and Progress of Hong Kong have also expressed their views on the housing policy. Given the time constraints, I would like to focus on the plights of the marginalized middle class today and reflect their situation.

President, from the perspective of social strata, these marginalized middle-class people whom I am talking about refer to, as we know very well, a group of "post-90s" or "post-2000s" whose education levels are too low for high positions but too high for low ones. Thanks to the rapid development of the education system in Hong Kong, actually their academic qualifications are quite good. But given the unitary economic structure of Hong Kong, the room for upward mobility has become narrower and narrower. Even though they have been working for years, their salaries have remained stagnant and are only enough for them to live at subsistence level, not to mention buying their own homes, which is simply beyond their reach. On the other hand, since their academic qualifications are not low and the industries in which they work are not grass-roots industries, they, therefore, are denied of a share of the many benefits enjoyed by the grass-roots workers.

In fact, in Hong Kong, so far as you make a monthly income exceeding \$14,500, then you do not have the chance to be provided with public rental housing, work incentive subsidies and even the Working Family Allowance introduced some time ago. As for units under the Home Ownership Scheme ("HOS"), despite a higher income ceiling of \$33,000, the quota is very limited, with just a few thousand units in recent years and only 2 500 units under the White Form Secondary Market Scheme. Even though the quota has been increased to 4 500 units in recent years, to these marginalized middle-class people who do not live under the shelter of their parents, it is actually most pathetic for them to be left at the mercy of these "lucky draws". There is no way for their dream of home ownership to come true and so, they are forced to pay high rent and become what I consider to be the most dejected group of people in society. My estimate is that there are about 1 million of these quite well educated, "shell-less" marginalized middle-class people.

We can see from the figures that this situation has been worsening. According to the information of the Census and Statistics Department, the percentage of people renting private residential properties has increased continuously over the past decade. The percentage of households renting the accommodation they occupy has increased from 11% in 2006 to 14% in 2016. In 2016, the median monthly rent of domestic households renting private residential flats was \$10,000, which doubled the level a decade ago. We all know that rent in Hong Kong increases rapidly. The median rent to income ratio of these households was 30.7%, higher than the 25% a decade ago. For domestic households in public rental housing units, the median rent was \$1,500 in 2016, while the median rent to income ratio was 9.3%. We can see that although these marginalized middle-class people are classified as the middle class, their living is even more difficult than that of the grass roots because property prices and rent are ever increasing and taking up an increasingly high proportion of their income.

President, the social class solidification in Hong Kong is so serious that many marginalized middle-class people are actually unable to buy their own homes or improve their living simply by relying on their own efforts. Some of them who wish to get married cannot solve their housing problem and have to rent a flat; and some of them are even deterred, or after getting married, a couple has to live separately in the hope of saving up more money. It is most saddening and upsetting to see them being caught in such an impasse. This also explains why they have harboured extremely great resentment against society and the Government.

Regrettably, the SAR government has not provided assistance in terms of policies specifically targeting these marginalized middle-class people and so, there is no way for these people to vent their grievances, thus creating many factors for instability in society. It is worth noting that as we all know, a radical force has kept emerging in society, and this group of marginalized middle-class people is believed to be the backbone of it. In fact, it is because they feel utterly lost and the Government has no appropriate policies in place to help them overcome their difficulties that they may be driven to extreme violence.

President, I very much hope that the Government will think about this. It is necessary to adopt specific policies to deal with these marginalized middle-class people. I also agree that the mere reliance on "lucky draws" ... In the short term, these "lucky draws" should not remain unchanged. I hope that a

points system can be adopted, and in the medium to long term, as I have advocated many times, I hope there will be a (*The buzzer sounded*) ... HOS waiting list ...

PRESIDENT (in Cantonese): Ms Starry LEE, please stop speaking.

MS STARRY LEE (in Cantonese): ... I hope the Secretary will consider it.

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): I now suspend the meeting until 9:00 am tomorrow.

Suspended accordingly at 6:33 pm.

Annex 1

**The marked-up version of the amendment moved by Mr Jimmy NG
(Translation)**

That the Government has been actively promoting re-industrialization in recent years by rolling out various infrastructure projects and funding schemes for the development of advanced manufacturing industry based on new technologies and smart production; in this connection, this Council urges the Government, on the existing basis, to formulate a categorical medium-to-long-term development strategy for Industry 4.0, such as fostering the 'intelligentization' of traditional industries and ~~promoting smart production with the use of new and high technologies~~ ***their upgrading and restructuring; to support local start-ups in fostering the commercialization of their research and development achievements***, and to further provide appropriate support measures, including the provision of industrial sites that can achieve clustering effect and assistance to Hong Kong's manufacturing industry for exploring more overseas markets (such as the Association of Southeast Asian Nations markets); at the same time, the Government should actively ~~strive for collaboration~~ ***collaborate*** with Shenzhen and other Mainland provinces and municipalities, ~~in a bid to enhance the recognition of Hong Kong's development of manufacturing industry and expand its room for business,~~ ***and strive for the formulation of favourable policies for the development of the Hong Kong-invested manufacturing industry on the Mainland.***

Note: Mr Jimmy NG's amendment is marked in ***bold and italic type*** or with deletion line.