

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 16 June 2022

The Council continued to meet at Nine o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

THE HONOURABLE PAUL TSE WAI-CHUN, 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 MA FUNG-KWOK, G.B.S., J.P.

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

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

THE HONOURABLE KWOK WAI-KEUNG, J.P.

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

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

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

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

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

THE HONOURABLE DOREEN KONG YUK-FOON

THE HONOURABLE CHU KWOK-KEUNG

THE HONOURABLE STANLEY LI SAI-WING, M.H.

DR THE HONOURABLE HOEY SIMON LEE, M.H., J.P.

THE HONOURABLE ROBERT LEE WAI-WANG

THE HONOURABLE DOMINIC LEE TSZ-KING

IR THE HONOURABLE LEE CHUN-KEUNG

DR THE HONOURABLE TIK CHI-YUEN, S.B.S., J.P.

THE HONOURABLE STANLEY NG CHAU-PEI, S.B.S.

DR THE HONOURABLE JOHNNY NG KIT-CHONG, M.H.

THE HONOURABLE CHAU SIU-CHUNG

DR THE HONOURABLE CHOW MAN-KONG

DR THE HONOURABLE DAVID LAM TZIT-YUEN

THE HONOURABLE LAM CHUN-SING

THE HONOURABLE LAM SO-WAI

THE HONOURABLE NIXIE LAM LAM

PROF THE HONOURABLE NELSON LAM CHI-YUEN, J.P.

DR THE HONOURABLE DENNIS LAM SHUN-CHIU, J.P.

THE HONOURABLE LAM SAN-KEUNG, J.P.

THE HONOURABLE ANDREW LAM SIU-LO, S.B.S., J.P.

THE HONOURABLE DUNCAN CHIU

THE HONOURABLE YIU PAK-LEUNG, M.H.

DR THE HONOURABLE WENDY HONG WEN

PROF THE HONOURABLE SUN DONG

THE HONOURABLE DENNIS LEUNG TSZ-WING, M.H.

THE HONOURABLE LEUNG MAN-KWONG, M.H.

THE HONOURABLE EDWARD LEUNG HEI

THE HONOURABLE KENNETH LEUNG YUK-WAI, J.P.

THE HONOURABLE CHAN YUET-MING

THE HONOURABLE ROCK CHEN CHUNG-NIN, S.B.S., J.P.

THE HONOURABLE CHAN PUI-LEUNG

THE HONOURABLE CHAN YUNG, B.B.S., J.P.

THE HONOURABLE JUDY CHAN KAPUI, M.H.

THE HONOURABLE MAGGIE CHAN MAN-KI, M.H., J.P.

IR THE HONOURABLE CHAN SIU-HUNG, J.P.

THE HONOURABLE CHAN HOI-YAN

THE HONOURABLE JOEPHY CHAN WING-YAN

THE HONOURABLE CHAN HOK-FUNG, M.H., J.P.

IR THE HONOURABLE GARY ZHANG XINYU

THE HONOURABLE LILLIAN KWOK LING-LAI

THE HONOURABLE BENSON LUK HON-MAN

DR THE HONOURABLE STEPHEN WONG YUEN-SHAN

THE HONOURABLE EDMUND WONG CHUN-SEK

THE HONOURABLE KINGSLEY WONG KWOK, B.B.S., J.P.

THE HONOURABLE YANG WING-KIT

REVD CANON THE HONOURABLE PETER DOUGLAS KOON HO-MING,
B.B.S.

THE HONOURABLE TANG FEI, M.H.

THE HONOURABLE TANG KA-PIU, B.B.S., J.P.

THE HONOURABLE LAI TUNG-KWOK, G.B.S., I.D.S.M., J.P.

PROF THE HONOURABLE LAU CHI-PANG, B.B.S., J.P.

THE HONOURABLE KENNETH FOK KAI-KONG, J.P.

THE HONOURABLE LOUIS LOONG HON-BIU

THE HONOURABLE NGAN MAN-YU

THE HONOURABLE CARMEN KAN WAI-MUN

DR THE HONOURABLE TAN YUEHENG, J.P.

THE HONOURABLE SO CHEUNG-WING, S.B.S., J.P.

THE HONOURABLE YIM KONG

MEMBERS ABSENT:

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

THE HONOURABLE YUNG HOI-YAN, J.P.

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

THE HONOURABLE SUNNY TAN

DR THE HONOURABLE KENNEDY WONG YING-HO, B.B.S., J.P.

PUBLIC OFFICERS ATTENDING:

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

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

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

MR JOSEPH CHAN HO-LIM, J.P.
UNDER SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

CLERKS IN ATTENDANCE:

MS AMY YU, ASSISTANT SECRETARY GENERAL

MR MATTHEW LOO, ASSISTANT SECRETARY GENERAL

MR THOMAS WONG, ASSISTANT SECRETARY GENERAL

GOVERNMENT MOTIONS

PRESIDENT (in Cantonese): Proposed resolution under the Protection of Wages on Insolvency Ordinance.

Members who wish to speak please press the “Request to speak” button.

I now call upon the Secretary for Labour and Welfare to speak and move the motion.

PROPOSED RESOLUTION UNDER THE PROTECTION OF WAGES ON INSOLVENCY ORDINANCE

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, I move that the resolution, as printed on the Agenda, be passed.

The purpose of this resolution is to raise the maximum amounts of ex gratia payment items under the Protection of Wages on Insolvency Fund (“the Fund”) so as to enhance the protection for employees of insolvent employers. The Fund was set up in 1985 to provide timely financial relief in the form of ex gratia payments to employees of insolvent employers. The coverage of the Fund and the ceilings on ex gratia payments have been revised eight times over the years. The Fund now covers arrears of wages (“AW”), wages in lieu of notice (“WILON”), severance payments (“SP”), pay for untaken annual leave (“PUAL”) and pay for untaken statutory holidays (“PUSH”) subject to the respective payment ceilings. The Fund is mainly financed by an annual levy on business registration.

The Labour Department and the Protection of Wages on Insolvency Fund Board (“the Fund Board”) have completed a review of the coverage of ex gratia payment items under the Fund and the levy rate of business registration. The Fund Board, having considered the stable financial position of the Fund, the need to provide better protection to employees who are affected by their insolvent employers and other relevant factors, agreed unanimously to adjust the maximum amounts of ex gratia payment items and to reduce the levy rate of business registration.

I now introduce briefly the adjustment proposals in relation to this resolution:

- (I) Firstly, we propose to raise the payment ceiling on AW from \$36,000 to \$80,000. The proposal has adopted the median monthly earnings (excluding foreign domestic helpers) for the fourth quarter of 2021 (i.e. \$20,000) published by the Census and Statistics Department as the basis for adjustment. The new payment ceiling being four months' wages is therefore \$80,000, representing an increase of 122% over the current ceiling. According to the data of the applications received by the Fund in 2020-2021, the percentage of AW claims that can be fully covered under this proposed ceiling will increase from 66% to 90%;
- (II) Next, we propose to raise the payment ceiling on WILON from \$22,500 to \$45,000. This proposed amount marks an increase of 100% over the current ceiling, whereby the percentage of WILON claims that can be fully covered will increase from 68% to 90%, on a par with that of the AW item upon the proposed revision;
- (III) In addition, we propose to raise the payment ceiling on SP from \$50,000 plus 50% of any excess entitlement to \$100,000 plus 50% of any excess entitlement. The revised first part of the ceiling on SP will be five times the latest median monthly earnings of \$20,000, representing an increase of 100% over the current ceiling. According to the application data, the percentage of SP claims that can be fully covered under the adjusted ceiling will increase from 57% to 78%; and
- (IV) Lastly, we propose to raise the payment ceiling on PUAL and PUSH from \$10,500 to \$26,000. With reference to the protection periods for these two items, the Fund Board proposed to raise the relevant payment ceiling to cover the maximum number of days of annual leave in the last two leave years under the Employment Ordinance (i.e. 14 days plus 14 days) and the maximum number of statutory holidays in the last four months (i.e. 7 days), totalling 35 days, while adopting the monthly salary of \$22,500 as before for calculation. In other words, the ceiling will be raised to \$26,000, marking an increase of 148%. According to the application data, the percentage of relevant claims that can be fully covered under this proposed ceiling will increase from 74% to 93%.

In the review process, the Fund Board has duly considered the additional payouts of ex gratia payments by the Fund under different economic situations and brought about by the legislation to abolish the use of employers' contributions under the Mandatory Provident Fund System to offset SP and long service payments. As at end March 2022, the Fund had an accumulated surplus of about \$6,670.5 million.¹ With its healthy financial position, the Fund should be able to absorb the additional expenditure arising from the proposals to raise the ceilings on ex gratia payment items without unduly affecting the sustainability of the Fund.

The Labour Advisory Board unanimously supported the above proposals. The Legislative Council Panel on Manpower was also consulted on 19 April 2022, and its members welcomed and supported the proposals. We propose that the new ceilings on ex gratia payment items shall come into effect on the date on which this resolution is published in the Gazette. The Business Registration Ordinance (Amendment of Schedule 2) Order 2022 concerning the reduction of the levy rate of business registration has also been tabled to this Council for scrutiny.

I hope that Members will support and pass this resolution so as to provide better protection to employees of insolvent employers as early as possible.

Thank you, President.

The motion moved by the Secretary for Labour and Welfare is in **Appendix 5**.

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

Mr Dennis LEUNG, please speak.

MR DENNIS LEUNG (in Cantonese): President, the Protection of Wages on Insolvency Fund ("PWIF") was established with the original intent of, in the case of wage earners being defaulted on wage payments by their insolvent employers, providing timely relief in the form ex gratia payments to such wage earners. The relevant payment ceilings have not been adjusted for more than a quarter century. In addition, the economic environment has deteriorated due to the COVID-19

¹ This figure is subject to audit adjustment of the fund accounts for 2021-2022.

pandemic over the past couple of years, and the number of PWIF applications has also increased. Thus, the current proposal of raising the payment ceilings is indeed long-awaited. I think the move is meant to improve the rights and interests of those wage earners who have been become unemployed and defaulted on wage payments in that they are able to recover the wages payable to them. Therefore, I am in support of it.

President, the public may not be aware of the financial position (income and expenditure) of PWIF and its sources of funding. With business registration levy as its main source of income, PWIF has got quite sufficient resources indeed. Its annual income exceeded \$400 million while its annual expenditure averaged some \$75 million in the past four years, showing that its income far exceeded its expenditure. As of March last year, the balance of PWIF was as high as \$6.3 billion. One just cannot help but ask: “What is the point in accumulating such a huge sum of surplus?” Since PWIF has both the means and ability to provide workers with timely relief, it should offer as much help as possible to those in need. The business registration levy was once lowered in the past in view of the accumulated surplus of PWIF, but the various ex gratia payment ceilings have not been raised over a prolonged period, thus rendering them anachronistic in the end.

“While the boss has run away, the staff work for no pay and remain unpaid at the end of the day!” Supposedly, PWIF was established to serve as a “life-saving” fund to disburse money to the affected employees as arrears in wages, wages in lieu of notice, severance payments, and pay for untaken annual leave and statutory holidays. The problem is, however, the maximum amounts of ex gratia payment items available for application under PWIF have long been outdated. Taking arrears of wages as an example, the current amount available for application is a maximum of \$36,000 (four months’ salary in total), which means that one can only apply for a monthly average of \$9,000. This amount was set as early as in 1996 and it has already been 26 years since then. The median monthly income of wage earners in Hong Kong was \$9,500 in those days, but it has increased more than doubled to \$20,000 last year. According to the Annual Report of Protection of Wages on Insolvency Fund Board 2020-2021, more than 30% of the applications for compensation for arrears of wages have exceeded the maximum amount. Even if these applications are eventually approved, the amounts received by the applicants will be far less than what they are owed, which is tantamount to depriving them of the remuneration for their work. The most direct cause of this is, of course, that PWIF’s ex gratia payment ceilings have neither been reviewed

nor adjusted over a rather long period of time. It is indeed so miserable for wage earners to be defaulted on payment of wages by their unscrupulous employers, and it is really like adding insult to injury if they still cannot get full payment of what they are owed after taking the trouble to apply for PWIF.

In the past, HKFTU (The Hong Kong Federation of Trade Unions) has been fighting for the enhancement of PWIF, including putting forth proposals of raising the maximum amounts of ex gratia payment items under PWIF and streamlining the application procedures, etc. At last, some of the proposals will be materialized before the change of Government. At present, the authorities are willing to increase the maximum amounts of ex gratia payment items under PWIF by more than or equivalent to doubling of the existing amounts. For example, the payment ceiling of arrears of wages will be increased from \$36,000 to \$80,000. I think the adjusted amount is at a reasonable level and believe that this will be of help to the unfortunately affected wage earners and become a truly life-saving fund. Here, I expect more enhancement measures to be introduced to PWIF in the near future. First, application procedures should be streamlined, so that the Labour Department can proceed in parallel with the procedures of granting pre-approvals, thereby shortening the application time; second, regular reviews should be conducted at least once every five years in order that the terms and conditions will not become obsolete; and third, efforts should be stepped up in vetting cases and taking necessary legal actions against employers not having duly fulfilled their responsibilities, so as to prevent abuse of PWIF by unscrupulous employers attempting to evade their responsibilities as employers.

I so submit, President.

MR NGAN MAN-YU (in Cantonese): President, the ex gratia payment ceiling of arrears of wages under the Protection of Wages on Insolvency Fund (“PWIF”) was last adjusted substantially in 1996, that is, more than a quarter century ago. And so, the current proposal of adjustment is definitely not easy to come by.

The ex gratia payment ceiling for arrears of wages has been linked to the median monthly earnings ever since the establishment of PWIF, and the current proposal of adjusting the amount upward to \$80,000 is based on four times the current median monthly earnings of \$20,000. At the meeting of the Panel on Manpower in mid-April, DAB (Democratic Alliance for the Betterment and

Progress of Hong Kong) suggested to the Bureau that a regular adjustment mechanism be set up for timely adjustment of the ex gratia payment ceilings. Yet, the Administration said that it did not want to be “too mechanical” in this regard. The Bureau’s such response really puzzled me. Why are regular reviews “mechanical”? Is the annual pay adjustment not “mechanical”? Is the adjustment of public transport fares, which we frequently talk about, not “mechanical”? The Bureau’s response could hardly convince the people of Hong Kong.

As we all know, a large number of businesses being hit hard during the fifth wave of the pandemic have closed down. It is precisely due to the lack of a regular review mechanism that many grass-root workers being defaulted on wage payments are only entitled to the same level of protection as that of 25 years ago. Upon raising the payment ceilings for, among other things, arrears of wages (from \$36,000 to \$80,000), wages in lieu of notice (from \$22,500 to \$45,000), and severance payment (from \$50,000 plus 50% of any excess entitlement to \$100,000 plus 50% of any excess entitlement), there is a difference of over \$100,000 between the maximum amounts of ex gratia payments before and after the adjustment.

In fact, the Bureau has given a written account explaining why it took them such a long while to make the adjustment. According to the Bureau, given Hong Kong’s economic contraction due to the financial crisis in 1997 and SARS (Severe Acute Respiratory Syndrome) in 2003 which resulted in a deficit of PWIF, there was no basis for adjustment. This sounds a bit far-fetched to me because PWIF’s scope of protection was expanded to cover pay for untaken annual leave and statutory holidays in 2011, while the rate of business registration levy was adjusted downward in 2013. Such downward adjustment of the levy rate was a telling indicator of the strong financial position of PWIF, meaning that the economy had improved then. And also, there were fewer cases in which businesses closed down without paying the outstanding wages to their staff, but it has been almost 10 years now since 2013.

The Bureau also cited another reason, stating that the adjustment has been proposed currently due to a judicial review on the calculation of the amount of ex gratia payment for severance payment. The case was concluded in 2016, with the Court of Final Appeal ruling against the Labour Department (“LD”), accusing LD of having misinterpreted the law. However, since the case was already concluded in 2016, why did the Bureau not conduct a review and make adjustment accordingly in 2017 then?

The Bureau further put forth a new argument, saying that it had to wait for the implementation of the proposal of abolishing the offsetting arrangement under the Mandatory Provident Fund (“MPF”). Yet, a distinct line is drawn for implementing the offsetting arrangement under the MPF System, implying that employers may continue to use the accrued benefits of their mandatory contributions under the MPF System to offset their employees’ severance payments and long service payments in respect of their employment before the transition date. And so, the impact on the existing calculation method employed for PWIF will be basically minimal. By the way, will the Government still proceed to make any adjustments this time if the amendment bill proposing to abolish the offsetting arrangement under MPF is not passed?

The above three reasons tell us precisely that without conducting regular reviews, that is, “mechanical” reviews as the Bureau puts it, there will always be factors that may cause repeated adjustment delays, often with labour rights and benefits being sacrificed in consequence.

President, I must emphasize that I am strongly supportive of the current proposal of adjusting the ceilings of ex gratia payment items under PWIF and look forward to the Government’s expeditious implementation of the adjustments. Meanwhile, I also hope that the Administration will take account of DAB’s proposal and establish a regular review mechanism, so that the rights and interests of local grass-root workers can be duly protected.

I so submit, President.

MR KINGSLEY WONG (in Cantonese): Thank you, President. HKFTU (The Hong Kong Federation of Trade Unions) has been striving for the enhancement of the Protection of Wages on Insolvency Fund (“PWIF”), suggesting that the Government should adjust the maximum amounts of ex gratia payment items under PWIF and shorten the time required for filing wage claims.

First and foremost, I would like to thank the SAR Government for acting on the labour sector’s advice to propose a resolution to raise the maximum amounts of ex gratia payment items under PWIF. Well, better late than never. HKFTU supports the resolution. There is indeed a long way to go to enhance PWIF, and it is hoped that the Government will further enhance the PWIF system regarding the two aspects discussed below, so as to protect the legitimate rights and interests of workers.

First, a regular review and adjustment mechanism should be established. The ex gratia payment ceiling for arrears of wages under PWIF was set at \$36,000 in 1996 with reference to the median monthly earnings of \$9,000 in 1995. Nevertheless, the median monthly income has now doubled to \$20,000. After 26 years, the ceilings of ex gratia payment items under PWIF are already completely out of touch with the labour market. The Government has to consider putting in place a data-based mechanism for regular reviews and adjustments to prevent this from happening again.

According to the statistical data provided by the Census and Statistics Department, the average annual growth rate of the median monthly earnings in the past decade was 4.3%. Given that the ex gratia payment ceiling for arrears of wages was set in 1996 with reference to the median monthly earnings, it is also advisable that a regular review and adjustment mechanism based on median monthly earnings data be established to conduct regular reviews every five years, so that PWIF can stay abreast of the latest changes in wage levels. This will help prevent wage earners from not being fully compensated for their hard-earned wages payable to them as a result of the Government's failure to adjust in time the ex gratia payment ceilings.

Second, the claim procedures should be streamlined and shortened. At present, workers applying for ex gratia payments under PWIF often have to go through various procedures such as those involving the Labour Tribunal, Legal Aid Department, compulsory liquidation of companies and PWIF. The entire process usually takes six months or even longer to complete. There was once a case in the catering industry where the worker concerned had not yet received the compensation after more than two years upon filing the claim. HKFTU has received requests for assistance related to application for ex gratia payment under PWIF in which, according to a number of workers, the legal aid application procedures involved are rather cumbersome as workers are required to provide lots of background information that have nothing to do with wage claims. This means the existing PWIF application procedures still leave plenty of room for improvement.

I am really glad to learn from Secretary Dr LAW that the authorities are now studying the feasibility of engaging legal professionals directly by the Labour Department and the PWIF Board to obviate workers' need to apply for legal aid and thus shorten the time required for making wage claims by more than 12 weeks. In the meantime, the authorities have set up an internal working group to monitor

the progress. Processing of simple cases are expected to be completed within two to three months. It is hoped that the aforesaid reform can be implemented expeditiously so as to reduce the time required for processing claims filed by workers.

Given the large number of business closures during the pandemic, workers have become unemployed and are in a dire situation. To these unemployed workers, PWIF means not only “hard-earned money” but also “life-saving money”, and it is imperative that a regular review mechanism for PWIF be established and the claim procedures be streamlined and shortened.

I so submit.

MR LAM CHUN-SING (in Cantonese): President, Hong Kong has been plagued by the epidemic for more than two years. Escalation of business closures, wage defaults and suchlike in recent years has turned the Protection of Wages on Insolvency Fund (“PWIF”) into a straw to clutch at for quite a few fellow workers, but such protection is getting less and less effective because many ceilings of ex gratia payment have not been adjusted in more than two decades despite a continuous rise in the overall salary level of wage earners over the past 20 years. I welcome the Government’s current proposal to raise the maximum amounts of ex gratia payment items under PWIF, which hopefully offers a broader coverage of employees’ rights and interests.

The current amendment is arguably a belated one. Ten years ago, the surplus of PWIF amounted to only about \$2.7 billion. Now, after years of accumulation, it has exceeded \$6 billion. In hindsight, had we been able to adopt amendment two years earlier to raise the ceilings of ex gratia payment, our fellow workers would have received better protection against the impact of the epidemic over the past two years, during which we have unfortunately missed out on the opportunities. Our trade union has followed up many cases where fellow workers are owed wages ranging from \$60,000 to \$70,000 and can only settle for receiving ex gratia payments of up to \$36,000 in relation to past arrears.

In 2012, the Legislative Council (“LegCo”) passed amendments to the Protection of Wages on Insolvency Ordinance, expanding the scope of PWIF to cover pay for untaken annual leave and untaken statutory holidays. In order for the passage of the proposed legislative amendments, the Government agreed to

review the coverage one year after the implementation. Subsequently, the Government indicated that it would engage in further consideration only after assessing the outcome of a Court of Final Appeal hearing for a case of judicial review concerning the method of calculation of ex gratia payment on severance payment (“SP”), as well as the possible impact of the ruling on the financial position of PWIF. Later still, it expressed a need to assess the impact of abolishing the offsetting arrangement of the Mandatory Provident Fund (“MPF”) on PWIF. As a result, the review of the ceilings of ex gratia payment under PWIF has been delayed again and again.

The Federation of Hong Kong and Kowloon Labour Unions had pointed out much earlier that actually the Government did not need to be so worried. Since the Court of Final Appeal ruled in 2016 that the Labour Department (“LD”) had underpaid ex gratia payments to workers in respect of SP, PWIF has received more than 700 claims for shortfalls, involving however only somewhat more than \$14 million. Besides, since the new method was used to calculate ex gratia payments in respect of SP, there has not been any significant increase in the relevant expenditure. From this it is evident that the impact of this judicial review on the financial position of PWIF is minimal. As regards the abolition of the MPF offsetting arrangement, only about 30% of the current applications to PWIF involve claims for SP, and in future the Government will implement the employers’ Designated Savings Account Scheme to be set up in the wake of the abolition of the MPF offsetting arrangement. Since the account balance will be used to pay SP to employees when an employer goes bankrupt, the financial pressure on PWIF will be even less.

Although we should adjust the ceilings of ex-gratia payment and the business registration fee in accordance with the Protection of Wages on Insolvency Ordinance to enable continuous operation of PWIF, I must point out that a bridging government loan of \$695 million in the form of a credit line was extended to PWIF in 2002 for it to continue making ex gratia payments to fellow workers. Therefore, under certain special circumstances, the Government should fulfil its ultimate responsibility by providing funds or loans to PWIF so that eligible fellow workers can apply for ex gratia payment from PWIF.

Lastly, I would like to point out that it is not enough to just raise the ceilings of ex gratia payment under PWIF. It is also necessary to resolve the old problem of long processing time for PWIF applications. The Report No. 77 published by the Audit Commission last year also pointed out this problem and suggested that

the authorities should find ways to shorten the administrative procedures and application processing time in the future. I am very grateful to the members of the LegCo Public Accounts Committee for their valuable advice in this regard. I also know that LD is exploring improvements to the application procedures, which I hope will be implemented as soon as possible.

I support this resolution. President, I so submit.

MR CHAU SIU-CHUNG (in Cantonese): President, the establishment of the Protection of Wages on Insolvency Fund (“PWIF”) aims to provide timely relief to employees affected by their insolvent employers. It meets employees’ imminent needs by enabling them to receive ex gratia payment in respect of wage arrears, wages in lieu of notice, severance payment and so on as soon as possible.

President, wage earners work so hard merely to feed themselves and support their family. When they are owed wages, severance payments and other statutory entitlements after their employers go bankrupt, PWIF can provide them with important protection. The particularly high number of applicants at times of economic downturn shows that PWIF has a significant role to play.

Over the past decade and more, PWIF has been in a very good financial position, hence creating favourable conditions for raising the maximum amounts of ex gratia payment items. Although the current amendment is much belated, I am grateful to the Labour and Welfare Bureau for having made dedicated efforts, arguably motivated by a sense of shame, to raise the ceilings of ex gratia payment under PWIF, which have been put on the back burner for many years. Besides, the increase is reasonable as far as it goes. I hope that the resolution is passed so that wage earners affected by their employers’ bankruptcy can get more protection.

However, President, PWIF has drawn criticism over the years for its long approval time. Even the Audit Commission has earlier published a report to criticize it. A member of ours in the catering industry who was owed wages due to two successive restaurant closures in February and November 2019 applied to PWIF in time on both occasions, but yet it took 14 months the first time and 10 months the second time to succeed. President, the original intent of PWIF is to promptly help employees solve their short-term economic difficulties, but it has turned out to be “distant water for a nearby fire” in the end. It is essential for the Government to make improvements in this regard. I expect the next-term Government to effectively reduce the approval time by means of a reform.

As regards the actual practice, first of all, I support the Government hiring legal professionals directly to provide legal aid to the applicants, thus sparing them from having to otherwise apply for it. In addition, the Government should streamline or simplify the application procedures for PWIF and kickstart the process without waiting for all the documents to be in order. Moreover, applications with full supporting documents and evidence should be vetted and approved as soon as possible for disbursement of payments without any need to wait for the rulings of the Labour Tribunal.

President, I sincerely hope that raising the maximum amounts of ex gratia payment items and shortening the approval time will enable timely protection for those wage earners who are affected by their employers' bankruptcy and hence in urgent need of wages for subsistence.

President, I so submit.

MR TANG KA-PIU (in Cantonese): President, I am not going to repeat our colleagues' views and supportive comments on the resolution. All in all, I would like to thank the Government for the currently proposed reasonable levels of adjustment and its courage in proposing the amendment.

My concern is that even though there is a good system in place that has aroused public expectations and put the community at ease, its implementation turns out to be a very slow process. By sharing cases, some colleagues have just pointed out that if a small employer defaults on wage payments, the employees have to wait more than 10 months or even up to two years before being able to receive compensation. Last year I followed up the case of Wong, Fung & Co., a rather well-known law firm. When it was taken over by The Law Society of Hong Kong in December 2020, wage payment to its staff was stopped immediately. How long did it take for them to receive compensation from the Protection of Wages on Insolvency Fund ("PWIF")? Even the first employee to receive PWIF compensation had to wait until August 2021. Despite the facts, firstly that these are employees who know how to protect themselves and have certain academic qualifications, secondly that they were assisted by trade unions or me, and thirdly that the media also paid attention to this incident, it still took eight months for the claims to be resolved. This is already considered a case with the claims put on a

relatively fast track. In comparison, in the cases of employers or food shops much smaller in scale than this law firm, as mentioned earlier by other Members, where there might be only three or four staff members and they had not sought assistance from trade unions in the first place, the progress of claims would be even slower. Therefore, efficiency is very important in order for this system to really put wage earners at ease and make the public feel being helped.

The Government once promised to award compensation to employees within eight weeks. However, “eight weeks” does not mean eight weeks after the closure of the employer’s business, but rather eight weeks after the completion of all established administrative procedures. To begin with, the employees have to file a case with the Labour Tribunal (“LT”). If the employer is willing to consider the employees’ needs and hence does not attend the hearing on the day of mention, the employees will win the case. Unfortunately, this is not always the reality. The employees may have to go through several hearings before winning the case. After winning the case, they have to go to the Labour Department (“LD”) to ask for a memo that refers the case to the Legal Aid Department (“LAD”), which will then take a leisurely pace to examine whether the documents and financial information can pass muster, but up to this point they have not yet entered the aforesaid eight-week waiting period. After legal aid is granted by LAD, the lawyers will have to minutely examine the case, so the employees may have to wait another month or two if they really want to file a lawsuit. It is only after the filing of a lawsuit that employees with wage arrears can be established as creditors and then get the key to PWIF, triggering a countdown to the realization of the pledge to grant compensation within eight weeks, hence a really long wait. If the employees being owed wages have to support their family, they are in a dire situation indeed. It would already be a miracle if they could receive compensation within half a year after the closure of their employer’s business. Therefore, while the Government is now adjusting the amounts of compensation, I hope that it also carries out efficiency reforms so as to make the public truly feel that the SAR Government is serving the people with efficiency.

The Commissioner for Labour has taken the initiative to propose an administrative reform whereby LD will hire lawyers instead of employees needing to apply for legal aid. This initiative is commendable as it can directly help employees. But apart from this, can LD take one more step to make those employers experiencing liquidation and closure sign a statement admitting inability

to pay wages? This statement is equivalent in effect to a LT judgment in favour of the employees. How exactly can it be brought about? Presumably, LD must have a lot of administrative experience, so I hope that it makes the best use of this arrow in its quiver. Admittedly, this statement has earned a not-so-pleasant epithet in the labour sphere—“bad son statement”. The only option for employers who are unable to pay wages is to sign a statement admitting their inability, but this method can really help many employees. Therefore, I very much hope that LD or the Administration puts on its thinking cap to find ways that avoid asking employees to go through laborious formalities at LT every time a shop or office has obviously closed down. Doing so can save three months of time.

It is my hope that the Government will ponder how to make good use of mediation, namely by encouraging employers who are obviously out of business to sign a statement, in order to truly help wage earners. I so submit. Thank you.

MR SHIU KA-FAI (in Cantonese): Thank you, President and Secretary. Last week, I told the Chief Executive that the labour sector was in the limelight. It was not without reason that I said so. First off, there was the abolition of the MPF offsetting arrangement. Then yesterday, the Bill granting sick leave to employees was passed. Today again, there is an amendment to the Protection of Wages on Insolvency Ordinance seeking to double the amounts of ex gratia payment items for employees. What is the content of this amendment? As some colleagues have already explained, simply put, if a company is unable to make long service payments and severance payments to its employees when it ceases business, the Government will make use of the Protection of Wages on Insolvency Fund (“PWIF”) to help the employees concerned.

This time, the Government has proposed adjustments. Considering that no adjustment has been made for a long time since 1996 and 1999, the Government proposes to raise the maximum amounts of ex gratia payment payable to employees from \$22,500 to \$45,000 in respect of wages in lieu of notice and from \$50,000 plus 50% of any excess entitlement to \$100,000 plus 50% of any excess entitlement in respect of severance payment. How did the Government arrive at those amounts back in those years? To the best of my knowledge, it was calculated on the basis of the median wage, which was about \$10,000 back then. Multiplying it by five will give the ex gratia severance payment of \$50,000 mentioned just now. Today, the Government is asking to raise the maximum amount of this ex gratia

payment to \$100,000, which is reasonable as the current median wage is about \$20,000. President, under this general principle, I really cannot think of any reason to oppose the Government's proposal. After all, the maximum amounts have not been raised for 20 years. Therefore, there is no problem with the Secretary's proposal of adjustments and we will also support it.

However, I wish to point out that PWIF, with a surplus of \$6.5 billion as indicated by the Secretary in this paper, is currently in such a healthy financial position that the Government can even reduce the level of "contributions" made all along by businesses. What does it mean by "contributions" made all along by businesses? As PWIF is financed by the business registration levy, it is actually businesses that pool money every year to fund the Government. The Government says that the levy rate will now be reduced from \$250 to \$150. This ratio alone seems like a huge reduction, but actually our businesses paid \$2,250 every year in the past and it is only because the Government had seen such a huge surplus in PWIF that it charged a bit less in the past year or two. Therefore, if the baseline is \$2,250, a reduction of \$100 is not much in terms of proportion, though it is better than no reduction at all.

The main point I wish to raise with the Secretary is: Why has PWIF accumulated so much money? First of all, not many companies are bankrupt at present. Even if a company has to make severance payments to its employees because of bankruptcy, it can actually make use of the Mandatory Provident Fund ("MPF"). President, 90% of the amount of ex gratia payment payable to employees has already been contributed to their MPF accounts. Assuming that a company has really ceased business, since it has contributed to MPF, actually it has to pay its employees only about 10% of the amount, regardless of whether it is severance payment or long service payment, so the company will not be hard hit. Why has PWIF accumulated so much money? First, companies that can afford severance payments do not need to go bankrupt. Secondly, not many companies are bankrupt.

However, why do I have to stand up and speak to remind the Secretary? It is because I wish to tell the Secretary that this "story" will be different after the MPF offsetting arrangement is abolished. In the future, a company facing closure cannot withdraw the employer's contributions (5% of employees' salaries) to make severance payments to its employees. Instead, it will have to pay the full amount,

i.e. 100%, on its own. I have reminded the Secretary that as this 100% of the amount is not “locked up” in the MPF accounts to which the employer contributes 5% of the employees’ salaries, the company will go bankrupt in future if it cannot afford the severance payments.

Let me cite an example. The Secretary mentioned earlier that the maximum amount of ex gratia severance payment would be \$100,000 plus 50% of any excess entitlement. Assuming that an employee is entitled to a severance payment of \$390,000, PWIF will have to pay the employee \$100,000 plus 50% of the remaining \$290,000 (i.e. \$14,5000), making a total of \$245,000. PWIF has to pay \$245,000 to each employee entitled to the maximum amount of severance payment. If a company ceasing business has 20 employees, PWIF will have to pay them \$4,900,000. As we all know, it is not uncommon for a Chinese restaurant to employ a few dozens of people. The Secretary should note that PWIF has succeeded in accumulating such a large sum to date just because MPF contributions were available in the past for companies to make severance payments. Now that the Government has abolished the MPF offsetting arrangement, if, in the future, a company does not want to make severance payments and it happens to be a limited company, this expenditure will be fully borne by PWIF once the company is shuttered.

The Secretary has now pointed out that PWIF has a surplus of \$6.5 billion, but colleagues often say that \$5 billion to \$6 billion in MPF is offset every year. If some companies go bankrupt in future, how long can this sum of money in PWIF last? Leaving aside the prospect of all being bankrupt, even if one third of the companies do not want to make severance payments, PWIF may be depleted in three or four years. Therefore, I wish to remind the Secretary that when PWIF is eventually depleted, the rate of business registration levy may be raised again, and in the end, it is the business sector that foots the bill. But is this fair?

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

(No Member indicated a wish to speak)

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

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, I am deeply grateful to the several Members for their speeches and support for this resolution just now. I would like to respond briefly to some of the matters of concern and views raised by Members.

Members are concerned about the time required to effect ex gratia payments under the Protection of Wages on Insolvency Fund (“the Fund”). I thank Mr Kingsley WONG very much for saying what I wanted to say, and I am not going to repeat it. In this regard, we will strive to implement this follow-up and procedural improvement exercise as soon as possible.

Some Members have expressed the need for a mechanism for reviewing the coverage of the Fund on a regular basis. I wish to point out that both the number of applications for the Fund and its fiscal expenditure are closely related to the overall economic situation in Hong Kong, and the related labour policies will also have a bearing on the operation and financial position of the Fund. Therefore, the Fund Board will continue to closely monitor the operation of the Fund, review its coverage in due course and put forward proposals with a view to enhancing the protection for employees.

Such Members as Mr NGAN Man-yu have brought up and explained for me why no adjustment has been made over the past two decades or so. The first part is that during the period from 1997 to around 2010 or 2011, there was basically no need for adjustment because of years of deflation. If the mechanism suggested by Members was adopted, it might even be necessary to reduce the amounts concerned. But of course, Mr LAM Chun-sing has also touched on another problem, that is, the Fund basically had no money back then, and so it had to borrow money from the Government and repay the loans and the related interests whenever there was an adequate surplus, thereby creating no conditions for any review at all. When the review started in 2013, there came the case of judicial review mentioned by Mr NGAN Man-yu. Mr LAM Chun-sing has commented that the judicial review had very little impact. If we had a “crystal ball” in 2013 to foresee the outcome and recommendations of the review, of course we would not have to worry; however, we only knew afterwards in 2016, whereas the Government had already commenced a review of the retirement protection system, especially the issue of the abolition of the offsetting arrangement under the Mandatory Provident Fund System, since 2015. While Mr NGAN Man-yu has also claimed that the impact will be minimal, I am more than grateful to Mr SHIU Ka-fai for explaining in great detail how substantial the implications of the abolition of the offsetting

arrangement will be for the Fund. That said, the bill concerned just got passed last week—but at the end of last year, I was quite confident and started to feel that there would be no major change to the approach of the Government’s proposal on the whole, and so we have commenced a review of the Fund since then—for this reason, we are able to propose this resolution today right after the passage of the bill on the abolition of the offsetting arrangement last week.

I would like to take this opportunity to express my gratitude to the Chairman and all members of the Fund Board for their efforts in completing the review of the coverage of the Fund. I would also like to thank Members once again and implore them to pass the resolution so as to provide better protection to employees of insolvent employers as early as possible.

President, I so submit. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Labour and Welfare be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

I declare the motion passed.

PRESIDENT (in Cantonese): The Secretary for Food and Health will move two proposed resolutions under section 34(2) of the Interpretation and General Clauses Ordinance.

First motion: to amend the Prevention and Control of Disease (Prohibition on Gathering) (Amendment) (No. 2) Regulation 2022; and

Second motion: to amend the Prevention and Control of Disease (Wearing of Mask) (Amendment) (No. 3) Regulation 2022.

Members may refer to the Appendix to the Script for the purposes of and the debate and voting arrangements for the two motions.

PRESIDENT (in Cantonese): Members have been informed that this Council will conduct a joint debate on the two motions.

Upon the conclusion of the debate, this Council will put to vote the two motions one by one.

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

I now call upon the Secretary for Food and Health to speak on the two motions and move the first motion.

PROPOSED RESOLUTIONS TO AMEND SUBSIDIARY LEGISLATION

Prevention and Control of Disease (Prohibition on Gathering) (Amendment) (No. 2) Regulation 2022 (L.N. 49 of 2022)

Prevention and Control of Disease (Wearing of Mask) (Amendment) (No. 3) Regulation 2022 (L.N. 50 of 2022)

SECRETARY FOR FOOD AND HEALTH (in Cantonese): President, I move that my first motion, as printed on the Agenda, be passed to amend the Prevention and Control of Disease (Prohibition on Gathering) (Amendment) (No. 2) Regulation 2022, while the second motion intends to amend the Prevention and Control of Disease (Wearing of Mask) (Amendment) (No. 3) Regulation 2022.

First of all, I would like to give my heartfelt thanks to the Subcommittee chaired by Dr Priscilla LEUNG for providing valuable opinions during their deliberation. Taking heed of the opinions of the Subcommittee, we have put forward some proposed amendments.

The public health emergency regulations formulated by the Government since the outbreak of the Coronavirus Disease 2019 (“COVID-19”) are intended to combat the COVID-19 epidemic, so as to protect public health and alleviate the impact on society and the economy of Hong Kong. Thus, the Government needs to make rapid response according to the epidemic situation so that the epidemic can be prevented and controlled by adhering to the anti-epidemic strategy of “guarding against the importation of cases and the resurgence of domestic infections”. Meanwhile, we should relax the related measures as appropriate should the epidemic situation allow, so that the general public can resume normal lives provided that the anti-epidemic barrier in the community can be effectively maintained. The Government’s current amendment is precisely intended to adjust the related measures promptly in response to the rapidly changing epidemic situation.

Taking into account the opinions of the Subcommittee, we now propose the amendment of resuming the original negative vetting arrangement.

I would like to take this opportunity to reiterate that the SAR Government respects the constitutional functions of the Legislative Council (“LegCo”) in enacting legislation and monitoring the Government, and when formulating epidemic-related measures, it will, as always, balance various factors, including the protection of public health, economic implications and social acceptability. We will also maintain close liaison with relevant stakeholders, including LegCo Members, and listen to their views on various anti-epidemic measures.

President, I so submit.

The motion moved by the Secretary for Food and Health is in **Appendix 6**.

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

Dr Priscilla LEUNG, please speak.

DR PRISCILLA LEUNG (in Cantonese): President, in my capacity as Chairman of the Subcommittee on Subsidiary Legislation Relating to the Prevention and Control of Disease (“the Subcommittee”), I report on the deliberations of the Subcommittee on the two motions proposed by the Administration with regard to the amendments to the relevant subsidiary legislation. The two motions seek to retain the power of the Legislative Council (“LegCo”) to scrutinize or amend, through the negative vetting procedure, the number of persons which would constitute “group gathering” and the applicability of the reasonable excuse for not wearing a mask when engaging in strenuous physical activities in outdoor places.

Members were gravely concerned that LegCo’s power mentioned above had been taken away when the concerned subsidiary legislation came into operation on 21 April 2022. They stressed that this arrangement would weaken the function of LegCo to monitor the Government’s work and it was not conducive to maintaining a good relationship between the executive authorities and the legislature. They worried that such arrangement would become a precedent for the Administration to make similar arrangement for other legislation. They were dissatisfied that the taking away of LegCo’s power to scrutinize by the two items of subsidiary legislation was not mentioned in the relevant LegCo Brief by the Administration. Such arrangement only came to members’ notice after seeing the letter from the Legal Adviser to the Subcommittee. Members pointed out that adjusting social distancing measures in the form of subsidiary legislation could already address urgency of the matter and the scrutiny process would not delay the commencement date of the relevant measures.

Members considered the taking away of LegCo’s power by means of the relevant subsidiary legislation was unnecessary and unjustifiable, and therefore the Subcommittee decided to propose the relevant amendments to retain such power. The Food and Health Bureau has finally decided on this Tuesday to take over the amendments proposed by the Subcommittee. As such, the Subcommittee did not need to propose the amendments and thus withdrew the motions which seek to amend the relevant subsidiary legislation.

Here, I would like to thank the Secretariat, especially the Legal Adviser, for their assistance in the work of the Subcommittee.

The following are my views.

President, I must commend members for being very careful and diligent in examining each provision during the scrutiny of the subsidiary legislation related to the prevention and control of diseases. In fact, the two items of subsidiary legislation would not have been referred to the Subcommittee for scrutiny, but it was because Mr LAI Tung-kwok had noticed the problem and brought it up again to the House Committee so that the Subcommittee proceeded with the scrutiny work. In the course of deliberations, we asked questions on many details, including the meaning of “strenuous”, “panting” and “sweating”. We still recall the discussion.

I believe the major problem regarding this matter was to turn the subsidiary legislation into notices. Once the subsidiary legislation became notices, in terms of procedure, there was no need for the Executive Council to be given advanced notice, which was the controversy in this case. The subsidiary legislation itself is already subject to negative vetting procedure, and even if a Member requests to form a subcommittee, the implementation or commencement date of the subsidiary legislation will not be affected.

I think the Government’s approach to doing things the quick way this time has led to the otherwise, however, the greater influence will be seen in the future. In my view, the Government and LegCo today are composed of patriots. The Rules of Procedure are very concise already, and the speaking time for Members is reasonable. If Members consider it necessary to form a subcommittee for scrutiny, such power and space should be reserved for LegCo. It should not be what the Government said in its reply that LegCo Members could follow up by ways of press briefings, oral questions or even petitions. These are not the ideal ways.

I would like to thank the 10 Members who have signed the petition requesting the Government to make amendments, and the Government finally accepted the good advice. I think this was exactly stubbornness for no good reason. I hope that the future executive-legislature relationship will be based on mutual trust and respect. LegCo is given the power to monitor in a reasonable manner under Article 73 of the Basic Law.

Here, I would like to thank the Government for accepting good advice in the end. Thank you.

MS CHAN HOI-YAN (in Cantonese): Thank you, President. I speak in support of the Government's proposed resolutions to amend the subsidiary legislation. Whilst I support the proposed resolutions, I have to express my views on how the authorities handle the matter this time around.

Members of the Subcommittee, including me, and the public are aware that the scrutiny of the subsidiary legislation this time has not been progressing smoothly at all. During the past meetings of the Subcommittee on subsidiary legislation to scrutinize anti-epidemic measures, members did express a lot of views on the measures, but did not spend a long time on discussion in general, while Members and the Administration did not have much disagreement over the principles.

However, in the course of scrutiny this time, seemingly simple amendments have caused disputes, and the Bureau's persistence prompted members to decide to propose amendments under the name of the Subcommittee earlier on. During meetings of the Subcommittee on the subsidiary legislation, the authorities have explained the amendments to the relevant subsidiary legislation on various occasions on the grounds of "efficiency" and "time", meaning that the Government intended to adjust regulations in relation to prohibition on group gatherings and mask order by notice, so that the authorities do not have to table the adjustments to the measures to the Legislative Council ("LegCo") for scrutiny.

This time, the authority's approach to doing things the quick way has only led to the otherwise. I have tried to comprehend what is the authorities' thinking behind when they proposed the details of the relevant subsidiary legislation. Perhaps they hold that all the amendments are just general technical amendments and thus the amendments are well-justified. But I must point out that the subsidiary legislation proposed by the Government this time is related to the number of persons prescribed for the definition of group gathering, and the applicable period of exemption from the mask order in a particular setting. These two elements can be regarded as the core measures of our anti-epidemic policies and have a relatively great impact on the general public.

More importantly, subsidiary legislation related to anti-epidemic efforts, including the details under scrutiny this time, was subject to negative vetting in the past. In other words, an item of subsidiary legislation is laid on the table of LegCo after it becomes effective. Earlier on, the Bureau admitted whether the adjustments to the subsidiary legislation will be subject to LegCo's scrutiny or not, its commencement date will be the same. It will not be advanced, nor will it be

deferred. As such, the Government cannot justify itself on the grounds of “efficiency”.

In fact, the scrutiny work of LegCo does not impede the implementation of legislation. Quite the contrary, officials and Members can exchange their views during the process of scrutiny, thereby refining the details of the legislation. If there is any inadequacy or imperfection in the details of the legislation, LegCo Members have the responsibility of putting forward recommendations, if not making amendments, by exercising the power to scrutinize it on behalf of the public.

If the details of the legislation are to be adjusted by notice, as proposed by the Bureau previously, Members will in effect become unable to examine the relevant provisions through legal means. I have written down that I have to quote our Legal Adviser’s reminder to Members during a Subcommittee meeting. She said at that time: “Should the two items of subsidiary legislation be passed, the Government’s decision is final once the Government says it is okay in future.” Objectively speaking, such an attitude of “I have the final say” has an effect on LegCo’s power of scrutiny. If you have been listening to my speech, I believe we would all agree that Members are stakeholders too, while this arrangement may not meet the public expectations for the work of LegCo Members.

Lastly, I have to point out that the Bureau has not taken the initiative beforehand to explain to Members the details of the subsidiary legislation this time. I was responsible for lobbying work when I was serving the Food and Health Bureau. When the Bureau learned of Members’ joint opposition against the details of the legislation, I really wondered why the Bureau did not make any explanation and set out the details again this time, but make minor provisions in the subsidiary legislation conveniently in the hope of getting the job done by having it passed. I was assigned with relevant tasks before. I am really puzzled in this regard. We even have to spend time and manpower to discuss these two items of subsidiary legislation today. As the epidemic rebounds, is it not more meaningful if we spend such time on discussing how to fight the epidemic? Such a hasty approach will really slow us down, bringing no benefits to the community at all at the end of the day.

With the improvement of the electoral system, the public holds great expectations for the work of both the Government and LegCo. I hope that the Government understands LegCo Members need to scrutinize legislation and they have the responsibility of doing so. We also have to reflect the public’s views

when necessary. I also hope that government officials can communicate with Members early to dispel the doubts among Members and the public more efficiently in a similar situation in future. Finally, I have to thank the Government for proposing relevant amendments on the day before this Council meeting.

I so submit. Thank you, President.

MR TONY TSE (in Cantonese): Thank you, President. President, the Government's previous amendments to regulations in relation to prohibition on group gatherings and the mask order according to the Prevention and Control of Disease Ordinance, such as changing the number of persons in a group gathering from four to two, or from two to four, were approved by the Chief Executive in Council before being tabled to the Legislative Council ("LegCo") through the negative vetting procedure and then implemented.

Under the negative vetting procedure, the regulations will take immediate effect upon gazettal, whilst LegCo still has the power to scrutinize the regulations. When necessary, Members may propose to amend and repeal the regulations, thereby performing their constitutional functions in monitoring the executive and exercising checks and balances to the powers of the executive.

However, in the latest amendments to regulations on prohibiting group gatherings and the mask order, the Government has scrapped the legislative amendment procedures through the aforesaid negative vetting mechanism without any formal consultation and discussion. Instead, the Secretary for Food and Health can unilaterally amend regulations on prohibiting group gatherings and the mask order on her own initiative by notice, without being subject to scrutiny by LegCo.

The Government claimed that such a change can accelerate and facilitate legislative amendment in order to combat the rapidly changing epidemic more effectively. But in reality, LegCo has never abused the existing negative vetting mechanism to impede the Government's legislative amendment to combat the epidemic. The past delays in implementing anti-epidemic measures in Hong Kong have absolutely nothing to do with legislative procedures related to the scrutiny of LegCo. The Government's practice this time around inevitably gives people the impression that it shows no respect for LegCo, or even wants to undermine LegCo's constitutional power to monitor the Government.

With the concerted efforts of Members from various political parties and groupings to study the matter and voice their opinions, the Government changed its mind at the last moment to accept the original revised resolutions proposed by Members, and reverted to amending the regulations through the well-established mechanism of negative vetting. In my view, the incident clearly indicates that LegCo exercises its constitutional role effectively and commits itself to monitoring the Government, and is in no sense a “rubber stamp”.

I would also like to thank our Legal Adviser and fellow Members who have joined hands to raise the relevant issues to the Government and strived for changes, including Ms Carmen KAN, the deputy convener of G19. I know she has done a lot in examining and drafting the relevant resolutions, put forward many points and given a detailed explanation to Members who are not so familiar with or pay little heed to the legal disputes involved to enlist their support.

President, there are only about two weeks left in the term of the present Government. I hope that the new-term SAR Government can learn a lesson and gain experience from the incident, step up communication and cooperation with LegCo in future, respect the constitutional functions and powers of Members and LegCo, in order to work together to overcome the epidemic and take Hong Kong to new heights. President, I so submit.

MR LAI TUNG-KWOK (in Cantonese): President, I speak in support of the resolutions. I am very pleased that the Government has been receptive to Members’ advice and changed its mind the day before yesterday to accept their request for amending the areas in dispute concerning the regulations that have taken effect upon gazettal.

Section 8 of the Prevention and Control of Disease Ordinance (Cap. 599) authorizes the Chief Executive in Council to make subsidiary regulations to prevent the introduction of diseases into and spread in Hong Kong. The authorization is subject to section 34 of the Interpretation and General Clauses Ordinance (Cap. 1), and has to go through negative vetting. This time around, the Government makes L.N. 49 and L.N. 50 on the grounds of, among others, the rapidly changing epidemic and administrative convenience, declaring that certain provisions are “not subsidiary legislation”. As such, one may consider that the Government disregards the legislative and vetting powers vested in the Council pursuant to Article 73(1) of the Basic Law and section 34 of Cap. 1.

Regarding this issue, Ms Carmen KAN reminded me to study an important report. In 2011, the Government expressed different views on whether the Legislative Council has the power to repeal the Country Parks (Designation) (Consolidation) (Amendment) Order 2010. As a consequence, the House Committee set up a subcommittee to study issues relating to the power of the Council to amend subsidiary legislation. According to its report, any regulation or other instrument made by virtue of any Ordinance and having “legislative effect” is subsidiary legislation and it is subject to negative vetting under section 34 of Cap. 1. As for “whether or not it has legislative effect”, factors to be considered include whether the provisions are legally binding, whether the provisions apply to the public or individuals only, etc. As pointed out in paragraph 4.18 of the report, since October 1999, the Government has adopted the approach whereby in cases where there may be disputes as to whether certain regulation or notice is subsidiary legislation, it would be provided expressively in the primary legislation indicating whether or not it is subsidiary legislation. It is suggested in paragraph 5.3(c) of the report that the Government should state clearly in each document on amending subsidiary legislation to be tabled in the Council as to whether the Council has the power to amend or repeal the subsidiary legislation concerned, so that both sides could engage in deliberations in a timely, open and transparent manner.

President, both of the legal notices concerned contain provisions that are “not subsidiary legislation”. I agree with the justifications, provided by the subcommittee to study the notices, for amending the relevant provisions. Throughout the epidemic, the Government has amended the provisions for eight times, and has never said it had any difficulty in doing so. Besides, everyone in Hong Kong will be affected by a change in the number of persons constituting group gathering. Therefore, judging from whatever angle, it is no simple administrative arrangement. It has a huge impact and carries legal effect, where offenders will be subject to a penalty.

Therefore, I believe when exercising the right to make subsidiary regulations under section 8, it is not appropriate for the Government to delegate its power to make legal binding provisions to other public officers on the grounds that the provisions are “not subsidiary legislation”, the epidemic is rapidly changing, the provisions can facilitate administration, etc.

President, I so submit.

MR HOLDEN CHOW (in Cantonese): President, I speak in support of the proposed resolutions. As mentioned by Honourable Members just now, the proposed resolutions have caused disputes because they were supposed to be handled through the negative vetting procedure in the beginning. However, the Government wanted to change “the rules of the game” afterwards, which has led to such considerable disputes at the end.

First of all, I would like to thank Mr LAI Tung-kwok for proposing to form a subcommittee for deliberation at the House Committee on that day, and thank Dr Priscilla LEUNG for being the Chairman of the Subcommittee. While I was not a member of the Subcommittee, she allowed me to join and speak at its meetings. In fact, members have taken note of this problem during the deliberation of the Subcommittee. Basically, the established negative vetting procedure allows the Government to carry out its work and implement the relevant measures before our discussions and deliberations. This is how we used to operate.

However, under “the rules of the game” regarding subsidiary legislation, such arrangements are to be scrapped too. I remember that, in reply to questions raised by the Subcommittee, the Bureau has repeated many times that by doing so, time can be saved and efficiency be enhanced. But the result is that we have saved time while the chance of deliberation in the Legislative Council (“LegCo”) has been denied. That is why many Honourable colleagues had strong views and reacted strongly on that day. At that time, Ms CHAN Hoi-yan, Ms Carmen KAN and Ms Elizabeth QUAT firmly believed that if the negative vetting procedure of LegCo has allowed the Government to carry out relevant work, why should it change the approach, taking away the part of “vetting” power from us?

Of course, the Government has finally accepted our well-intentioned advice so I would like to thank the Government for this and having listened to our advice. However, I wish to highlight one point raised at the Subcommittee meeting which, I believe, deserves Members’ attention. Members are worried whether the Bureau will continue to do so once the precedent is set. Given that the Government has tried not to go through the negative vetting procedure this time, will it continue to extend this approach to other areas? This is our main concern.

Another point that I wish to make is, when LegCo is scrutinizing or discussing legislation—do not forget that LegCo is an open platform—there is official record, that is, our Hansard. Our deliberations and discussions in LegCo, whether through negative vetting or otherwise, as well as discussions among LegCo Members and government officials are all open and made known to the public

through this open platform, and will be put on record in Hansard. Not only today, but many years later, people will realize what has happened when they go through the record in Hansard. In my view, this merits the Government's attention. It is therefore justified for Honourable colleagues to be so concerned about this matter.

Lastly, I would like to reiterate that the Government has heeded our advice and is willing to change its approach and revert to the original negative vetting procedure. This approach is definitely a more appropriate practice.

President, I so submit.

MS DOREEN KONG (in Cantonese): President, the key to the relationship between the executive authorities and the legislature lies in candidness and communication. This time around, the Bureau has intended to change the number of persons which constitutes group gathering and reasonable excuses for a person not to wear a mask by notice in future, without subject to negative vetting by the Legislative Council ("LegCo"). But I am glad to see that the Secretary for Food and Health has proposed amendments and withdrawn the change in approach at the end.

Regarding this matter, I especially wish to thank our Assistant Legal Adviser for writing a letter dated 29 April to the Food and Health Bureau requesting clarifications and pointing out the crux of the problem. In her letter, the Assistant Legal Adviser has explicitly questioned how members of the public may have easy access to the notices if the public is informed of the requirements related to group gatherings and wearing of masks only by notice.

I am very grateful to the Assistant Legal Adviser for highlighting this point. The general public knows little about Government Notices while the Government has never done anything on public understanding of and respect for Government Notices. Consequently, no one pays attention to such a "notice board". Can it truly be helpful in the operation of the rule of law?

The Secretary originally intended to replace the negative vetting procedure of LegCo with notice, which is like playing the game of "spot the 10 differences in the notice" with LegCo Members to test their eyesight. It is fortunate that the Assistant Legal Adviser, members of the Subcommittee, especially Mr LAI Tung-kwok, and Dr Priscilla LEUNG, Chairman of the Subcommittee, were persistent on this matter, causing the Secretary to change her mind at the end.

It is hoped that the Government can act in an open and candid manner after this incident. If a bill contains any special clause, the Government might as well consider putting the details on the table. I hope this incident will only be an exception and the Government will not have an attitude of “once bitten, twice shy” as a result.

President, I so submit.

MS ELIZABETH QUAT (in Cantonese): President, I speak in support of the proposed resolutions this time around. In fact, in respect of the epidemic over the past two years or so, the Legislative Council (“LegCo”) has made many legislative amendments in relation to the prevention and control of disease, “social gathering restrictions”, regulations on mask wearing, and so on. Each time we have done so by way of a subcommittee. Certainly, we understand that for the purpose of epidemic prevention and control, it is necessary to give the Government a quick response and, as there is a certain degree of urgency, these amendments have been dealt with under the negative vetting procedure.

The Subcommittee was formed only after the subsidiary legislation had already taken effect. The Subcommittee provided a good venue for government officials to come to LegCo and explain in detail the legislative intent and the reasons behind the legislation to the public through a formal channel. It also allowed us, representatives of the public, to raise questions on their behalf, seek answers from government officials and convey our views. It is hoped that if the same thing happens again in the future and legislation is needed, the law can be made better and more practical.

For a long time in the past, we have never tried to block the passage of the Government’s subsidiary legislation in a subcommittee, nor have there been any very important and controversial issues that have led us to overturn its subsidiary legislation. Therefore, I was surprised and puzzled when the Government suddenly and quietly changed the form of law making and replaced the negative vetting procedure with a notice. No wonder many members have questioned why the Government had to do this. In particular, the Government did not give us any notice beforehand, and it was the Legal Adviser of LegCo who noticed the problem. Members of the Subcommittee then examined the problem carefully and found it inappropriate, and so, they raised the issue for discussion at the meetings.

When we asked the Government about the reason, it gave a far-fetched answer, saying that the legislation could be handled more expeditiously and efficiently. But how could it be further expedited when it was already handled under the negative vetting procedure? Does it mean that in order to save the time for discussion at LegCo, or to save the time for completing the procedure and writing the document, it wants to bypass or forego this procedure? We certainly find this answer unacceptable and far-fetched. As such, after the signing of a petition by us 10 Members and heated debates at two meetings, the Government finally withdrew this approach.

We certainly welcome the decision of the Government on the withdrawal, but this time around I really want to tell the Government that we are actually building a new relationship between the executive authorities and the legislature. I also hope that government officials will have some respect for and trust in us in the legislature, instead of thinking that in the legislature they only need to pay lip service to us or amass enough votes to pass the legislation, without telling Members what the provisions and contents are. I think this is not a good approach.

In fact, following the improvement of the electoral system, the public has great expectations for LegCo, and also for the governance of the Government. Next, we will have a new Government and we should build a better relationship between the executive authorities and the legislature. I think this incident makes us very concerned. If we pass it this time around, will many laws be enacted in the same way in the future? Will it be that we likewise have no need to come to LegCo, we only need to pass them in the form of a notice, and we do not even have a chance to discuss and scrutinize them?

In fact, in addition to this incident, we also encountered the creation of seven directorate posts proposed by the Environment Bureau, which also said that in order to save time and resources, it wanted to bypass our Panel discussion and directly submitted it to the Establishment Subcommittee for approval. We also feel that this was a disrespectful action to LegCo, and the Government ended up withdrawing the proposal. I hope that government officials can learn from the experience and lessons of the two incidents and build up genuine mutual trust and respect with LegCo, so that we can join hands to build a better Hong Kong and truly open a new chapter.

President, I so submit.

MS CARMEN KAN (in Cantonese): Thank you, President. President, I speak in support of the two resolutions proposed by the Government. As one of the members of the Subcommittee on Subsidiary Legislation Relating to the Prevention and Control of Disease, I would like to first thank Mr LAI Tung-kwok and the Legal Adviser of the Legislative Council (“LegCo”) for pointing out the problem, and I would also like to thank Dr Priscilla LEUNG, the Chairman of the Subcommittee, and my colleagues who supported me in initiating the petition on 2 June. We have all been of one mind to urge the Administration to propose the resolutions. President, I would like to take this opportunity to recall the five expectations that XIA Baolong, Director of the Hong Kong and Macao Affairs Office of the State Council, made to the new Members earlier this year: being staunch patriots, defenders of the executive-led system, true representatives of the people, high-calibre administrators and creators of a new look for LegCo. In his opinion, the relationship between the executive authorities and the legislature is one of mutual cooperation with checks and balances, putting emphasis on mutual cooperation.

President, the purpose of the Government’s resolutions is to change the form of law making for the two specific anti-epidemic measures relating to “social gathering restrictions” and regulations on mask wearing back to the original negative vetting arrangement, instead of merely the Secretary’s arrangement of publishing a Gazette notice that “is not subsidiary legislation”. The government motions, if passed by Members, will enable LegCo to preserve its power to scrutinize and amend these two items of subsidiary legislation. I would like to welcome and thank the Food and Health Bureau for readily accepting good advice and introducing this initiative.

President, the two initiatives pertain to: (a) the maximum number of persons which constitutes group gathering in any public place; and (b) whether it is a reasonable excuse for a person not to wear a mask if the person is engaged in any strenuous physical activity in a place that is not indoor. The “social gathering restrictions” affect everyone in Hong Kong and relate to the degree of freedom to live, travel and organize activities under the epidemic. Since the enactment of subsidiary legislation under the negative vetting procedure does not affect the prior commencement of the legislation, LegCo’s power of scrutiny and amendment should be preserved to the greatest extent possible. This principle should also apply to the regulations on mask wearing.

President, having checked the records of LegCo, I realized that the Subcommittee to Study Issues Relating to the Power of the Legislative Council to Amend Subsidiary Legislation was set up in 2011-2012. The report issued at that time made a number of recommendations, including:

- (I) when delegating the power to enact subsidiary legislation to the executive, thorough consideration should be given to the level of scrutiny LegCo wishes to preserve;
- (II) the Government should strengthen communication with LegCo by stating in each LegCo Brief on subsidiary legislation as to whether the LegCo has the power to amend the provisions concerned.

Although the executive-legislature relationship back then was different from today, the recommendations of the report still have reference value.

President, the executive-legislature relationship was the first thing that the current Chief Executive emphasized in her speech at the last Chief Executive's Question and Answer Session. The Chief Executive-elect has also stressed time and again that he is very concerned about and attaches importance to the executive-legislature relationship. After his election, when he came to call on the President of LegCo, he discussed with the President how to strengthen communication and maintain liaison with LegCo, so as to improve communication and collaboration in policy formulation and implementation, and achieve good governance under the principle of "patriots administering Hong Kong". President, I hope that this incident will open up a new dimension in the executive-legislature relationship after the improvement of the electoral system.

With these remarks, President, I support the Government's motions.

MR EDWARD LEUNG (in Cantonese): Thank you, President. I speak in support of the proposed resolutions. In fact, I was supposed to speak on the earlier motion, but I received a notice from the Administration the day before yesterday to move the government motions today.

In fact, during the scrutiny period of the Subcommittee, one meeting was supposed to be enough, but we ended up holding two meetings, and even the Chairman of the Subcommittee had to propose amendments on our behalf. The

provisions are obviously not controversial, and it is a simple matter. Why were there so many twists and turns?

The reason is that the Administration unilaterally replaced the original negative vetting approach of the Legislative Council (“LegCo”) with an amendment exercise in the form of a notice. In order to minimize its workload and save some time, it deprived LegCo’s power of scrutiny, causing the discontent of many members of the Subcommittee.

For this reason, it was certainly a move to set things right when the Administration took the initiative to make amendments to remove this controversial item. If the Administration had done this in the first place, it would not have taken the time to deal with this matter today.

In fact, we have long been offering advice on improving the anti-epidemic work of the Government. In the case of distributing rapid test kits to the elderly, the Government did not consult us first, leading to widespread discontent in the community. If the Government had consulted us and listened to the views of community groups before introducing the measures, it would have helped a lot.

Therefore, I support the amendments of the Administration, and LegCo will definitely cooperate fully to complement the inadequacies of the Administration.

I so submit. Thank you, President.

MR DENNIS LEUNG (in Cantonese): Thank you, President. President, as a member of the Subcommittee, I would like to thank the Chairman of the Subcommittee, Dr Priscilla LEUNG, and our colleagues, Ms Carmen KAN, Mr LAI Tung-kwok and Ms CHAN Hoi-yan.

One of the most important issues in this legislative amendment exercise is amending subsidiary legislation in the form of a notice, but in the original amendments, the Government specified in the provision that the notice is “not subsidiary legislation”. This will result in Members not being able to exercise the powers conferred on us by the Basic Law. Article 73 of the Basic Law stipulates that “The Legislative Council of the Hong Kong Special Administrative Region shall exercise the following powers and functions: (1) To enact, amend or repeal laws in accordance with the provisions of this Law and legal procedures.”

The two legal provisions involve the prohibition on gathering under Cap. 599G and the wearing of masks under Cap. 599I. Ms CHAN Hoi-yan has hit the nail on the head when she said that the number of persons is the most important aspect of the relevant legal provisions. If the Government adds a provision stating that a notice is not subsidiary legislation when amending subsidiary legislation in the form of a notice, then the Government is being self-contradictory. How can it be that an item of subsidiary legislation, among others, is subsidiary legislation, but a notice concerned is not subsidiary legislation? This is the key point. A precedent set by the Government means that if many laws and subsidiary legislation are amended in this way in the future, Members will not be able to play the role of a gatekeeper in monitoring the Government.

The most important question I raised at the meeting was who made the decision to amend the provisions relating to the prohibition on gathering and the wearing of masks. The Government said in the meeting that the Chief Executive and a group of senior officials made the decision to enact the legislation. Was it discussed by the Executive Council? The Government was unable to give a reply to the Subcommittee at the meeting. I am therefore very grateful to the members of the Subcommittee for insisting on making the amendments, and our insistence was met with a last-minute response from the Government, which withdrew the original legislation and amended it again. I hope that in the future, when the Government makes amendments to the legislation, it can communicate more with Members of the Legislative Council and take on board their views, in the hope that in the future, the executive authorities and the legislature can maintain good communication for the benefit of the general public.

President, I so submit.

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

(No other Member indicated a wish to speak)

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

SECRETARY FOR FOOD AND HEALTH (in Cantonese): President, I am grateful to the many Members for their speeches and insightful opinions. We have listened to all of their views. As I mentioned earlier, the SAR Government has always respected the constitutional functions of the Legislative Council (“LegCo”) in enacting legislation and monitoring the Government. It also hopes to maintain a strong executive-legislature relationship. The SAR Government will continue, as always, to maintain close liaison and strengthen communication with relevant stakeholders, including LegCo Members, and will listen carefully to their views on various anti-epidemic measures.

With these remarks, President, I thank Members for supporting the motion.

PRESIDENT (in Cantonese): This Council now first votes on the first motion moved by the Secretary for Food and Health.

I now put the question to you and that is: That the first motion moved by the Secretary for Food and Health be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

I declare the motion passed.

PRESIDENT (in Cantonese): Secretary, you may move your second motion.

SECRETARY FOR FOOD AND HEALTH (in Cantonese): President, I move that my second motion, as printed on the Agenda, be passed.

The motion moved by the Secretary for Food and Health is in **Appendix 7**.

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

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

(Members raised their hands)

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

(No hands raised)

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

I declare the motion passed.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Member's motion on extending the period for amending subsidiary legislation.

Proposed resolution under the Interpretation and General Clauses Ordinance to extend the period for amending the Social Workers Registration Ordinance (Amendment of Schedule 2) Notice 2022, which was laid on the Table of this Council on 25 May 2022.

I now call upon Dr Priscilla LEUNG to move the motion.

PROPOSED RESOLUTION TO EXTEND THE PERIOD FOR AMENDING SUBSIDIARY LEGISLATION (L.N. 109 OF 2022)

DR PRISCILLA LEUNG (in Cantonese): President, I move that the motion, as printed on the Agenda, be passed.

The motion moved by Dr Priscilla LEUNG is in **Appendix 8**.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr Priscilla LEUNG be passed.

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

(Members raised their hands)

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

(No hands raised)

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

I declare the motion passed.

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

Dr Junius HO will move a motion on "Revitalizing the Mandatory Provident Fund"

Three 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 Dr Junius HO to speak and move the motion. Then I will call upon Mr TANG Ka-piu, Mr CHAN Kin-por and Dr David LAM to speak in sequence, but they may not move the 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 Dr Junius HO to speak and move the motion.

MOTION ON “REVITALIZING THE MANDATORY PROVIDENT FUND”

DR JUNIUS HO (in Cantonese): President, Hong Kong has a population of around 7.5 million, and the annual public health expenditure amounts to \$160 billion, representing a per capita expenditure of around \$22,000. Hong Kong’s public health expenditure stands at 5.7% of the overall GDP (Gross Domestic Product). The spending relating to geriatrics, diabetes, cancer and other related diseases exceeds \$60 billion, accounting for not less than 35% of the relevant expenditure.

Despite that, we are still facing an enormous healthcare demand. Currently, Hong Kong has a ratio of 2 doctors per 1 000 population. Although we have passed legislative amendments to allow doctors registered overseas to return to Hong Kong and work in local healthcare institutions, the Government has only sluggishly drawn up two lists since October last year. While there is not much noise, there is even less action. As a result, public healthcare institutions are currently under tremendous pressure, with the queue for general medical services building up from here stretching to Sha Tau Kok or Ta Kwu Ling. For specialist services, patients even have to wait for two whole years. Mild illnesses may worsen to serious problems, but serious problems may not be serious anymore. Why? Because the patient has died and will be cremated to ashes. Therefore, we are in a dire situation.

In order to ease the pressure on public healthcare institutions, we should consider shifting their burden to somewhere else. That is why I suggest revitalizing the Mandatory Provident Fund (“MPF”). Yet, in 2019, this Council was operating under very poor condition and failed to perform its functions properly as there were many Members from the opposition camp raising objections indiscriminately without having any regard to the merits and demerits of the matters at all. At that time, I put forward a suggestion to revitalize MPF, which included allowing MPF contributors to take the matter into their own hands and spend their own money on taking out insurance to protect their own lives, because the money is contributed by them. Nevertheless, at that time, I was under attack whenever I suggested anything, so it was normal for my motion to be voted down.

To my amazement, over 32 Members voted in favour of my motion back then, including 18 Members from the pro-establishment camp and 14 Members from the opposition camp. Today, I put forward my suggestion again, thinking that all Members love China and Hong Kong, and will definitely throw their support behind me without saying much. My well-intentioned suggestion is aimed to remove the restrictions, thereby supporting our people, supporting Hong Kong people, and supporting our lives so that our money will not be trapped in banks when we pass away.

The amount we are now talking about is just some \$200,000 for each person. Some may question whether one's financial position will get even worse if this meagre sum of some \$200,000 is spent on taking out insurance. In fact, what kind of retirement protection do we want to secure with some \$200,000? It is nothing but quality of life, and most importantly, good health. The Hong Kong Jockey Club often cheats us out of money by tempting us to place bets and buy Mark Six lottery tickets but we never win any prize. In life, good things do not last long. While good things may not happen to us, touch wood we may be diagnosed with cancer. Taking a dosage of targeted therapy drug will cost us \$100,000 to \$200,000. Despite wishing to help the patients, public healthcare institutions can only say there is nothing they can do. Given that the relevant expenditure currently amounts to \$160 billion, if all patients have to take targeted therapy drugs, wouldn't these institutions put a target on their back? This does not work for sure.

Therefore, under such circumstances, despite the provision of public healthcare services, people must fend for themselves. I hope that the provident fund will be put to good use, which ran to a cumulative total of \$218 billion from December 2000 to the end of last year. This is not a small amount. While a loss of \$150 billion was recorded in the first five months this year, no one has voiced any complaints. This sum of money may well be spent on insurance. When I became a Legislative Council Member in 2016, I spent my medical allowance on purchasing an insurance policy with a premium of \$30,000. Touch wood, I do not wish to make a claim, but the insured amount may reach \$30 million. If a public healthcare institution has to address my medical needs that cost \$30 million, won't a heavy burden be imposed on it? What if we are allowed to withdraw up to a certain amount, say \$10,000, from our own provident fund accounts each year between the ages of 50 and 65? If the insured amount of a policy with a premium of \$30,000 is \$30 million, then the insured amount of a policy with a premium of

\$10,000 will be \$10 million, which can be used to protect our own lives. Otherwise, the meagre sum of some \$200,000 will be used up after two or three doses of targeted therapy drug.

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

The reason why I put forward this suggestion is to give everyone the right to take the matter into our own hands. Nevertheless, to my surprise, some people are opposed to my idea, saying that if I spend \$10,000 like this, I will become penniless someday. Since you care about me so much, why don't you increase the provident fund premium? This is hypocrisy, isn't it? One is not allowed to spend \$10,000 on taking out insurance for one's own good. What is the logic? What is the thinking of colleagues who love China and Hong Kong? This kind of thinking is precisely what we have been criticizing all the time—sticking to one's stance without regard to justifications.

What I am fighting for today is just like the use of solar power mentioned yesterday. Some systems need to be revitalized. What comes to my mind is that if I am allowed to install a 1.5m-tall solar panel, why is a 2.5m-tall panel not allowed? While I aspire to persuade through reasoning and bring benefits to people, I very much hope that Members will change their minds and will not do as they are told by their political parties or groups. I implore Members to use their brains. Please take a step forward. Please think about what you are really doing.

I have taken an oath to uphold the Basic Law. Article 107 of the Basic Law provides that we shall follow the principle of keeping the expenditure within the limits of revenues in drawing up the budget. Yet, the healthcare expenditure is now growing at an alarming rate year after year. Which place can afford to spend \$160 billion, \$180 billion or \$200 billion on public healthcare for a prolonged period of time? Can you pay the sum? If you are not willing to do so, then can I use my own money now? But you say I cannot. How is that justified?

Therefore, what I have put forward is a win-win suggestion for the people, the Government and the industry. Why do we not do this kind of thing that is beneficial to everyone? Some question whether this suggestion, if taken on board,

will set a precedent. My reply is that even if this sets a precedent, is there anything wrong with me, a brave Chinese, taking the lead for the benefit of the public and myself? As such, I implore Members to support my motion. I will claim a division, and give a response on the amendments later.

Deputy President, I so submit.

DEPUTY PRESIDENT (in Cantonese): Dr Junius HO, you may move your motion.

DR JUNIUS HO (in Cantonese): Deputy President, I move that my motion, as printed on the Agenda, be passed

Dr Junius HO moved the following motion: (Translation)

“That the fundamental concept of the Mandatory Provident Fund (‘MPF’) schemes is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement; it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF’s overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner’s savings in two years going down the drain; from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF’s real purchasing power being almost exhausted after several decades, which is a worrying situation; in this connection, this Council urges the Government to revitalize MPF by allowing scheme members more flexibility and autonomy in using MPF to take out medical insurance at an earlier time, so that when they fall ill,

besides seeking medical treatment under the public healthcare system, they may also choose to go to private healthcare institutions to seek medical consultation, so as to obtain greater health protection, which can also relieve the pressure on the public healthcare system.”

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

MR TANG KA-PIU (in Cantonese): Thank you, Deputy President. The purpose of the Mandatory Provident Fund (“MPF”) is to provide retirement protection for employees. Hong Kong lacks a public provident fund system, which forms the first pillar in the World Bank’s multi-pillar model. The second pillar, namely the privately-managed MPF System, is thus the main, if not the sole, retirement protection for many wage earners. However, why is it that the MPF System, which has been implemented for over 20 years, has been widely criticized by the public? The fundamental reason is that their accrued benefits, which they can withdraw on reaching the age of 65, can hardly cover the various expenses, especially healthcare expenses, incurred upon retirement. As a result, many elderly persons have no alternative but to return to the job market, which goes against the original purpose of enabling them to enjoy their twilight years. The offsetting arrangement, high management fees, inflexible investment options and, most importantly, a lack of guaranteed returns, have been the core problems with the MPF System.

The Hong Kong Federation of Trade Unions (“HKFTU”) has suggested various improvement measures to address the flaws in the MPF System. While Dr HO suggests “revitalization”, we emphasize “enhancement”. In my amendment, I have also suggested, for example, implementing MPF full portability, setting up guaranteed funds with a rate of return of the inflation rate plus 1%, and lowering administration fees. The Chief Executive-elect Mr John LEE has proposed a “result-oriented” approach. The aforesaid suggestions are also aimed to ensure capital preservation and even growth of MPF investment, thereby giving full play to the function of MPF in providing retirement protection.

Therefore, HKFTU is opposed to allowing members of the public to use MPF benefits for medical insurance or first-time home purchase, which has been suggested by Dr Junius HO in his original motion, and by Mr CHAN Kin-por, Dr Kennedy WONG and Dr David LAM in their amendments. This has also been our stance all along. We oppose premature withdrawal of accrued benefits on any grounds, because it is, in effect, offsetting the benefits, and spending retirement savings on something else prematurely, which defeats the original purpose of saving up for retirement.

Compared with young people and adults, the elderly are generally more likely to suffer from medical conditions, hence greater needs for medical, healthcare, rehabilitation, and hospice care services. Thus, the best arrangement for them is to let their contributions accumulate for a long period of time before allowing them to withdraw the benefits upon retirement. We even suggest that members of the public be allowed to continue to participate in MPF schemes on reaching the age of 65. Of course, such schemes have to offer guaranteed returns in order to reassure people that they may accumulate more savings. At present, there are a wide variety of health insurance plans with a range of premiums available in the market, and members of the public may choose any of them to suit their needs. However, assuming that MPF benefits can easily be used to cover medical expenses or health insurance expenses, if an employee suddenly develops a serious illness and the employer has not taken out group insurance, the employee's MPF benefits will be continuously drained during the long recovery. He will lead a miserable life in his twilight years, just as many middle-level and grass-roots employees do. Regarding people with financial difficulties, while we suggest the Government pay MPF contributions for them, we should never consider draining MPF benefits and using them for other purposes. Therefore, if we want to tackle other issues such as long-term care or healthcare problems, we should take action about other systems, especially improving the safety net and facilitating "three distributions".

As for the suggestion of allowing people to partially withdraw their accrued benefits for first-time home purchase, Mr Paul TSE raised a relevant question in December 2019. I will summarize the reply given by the Government at that time as follows: As the average accrued benefits of MPF members amounted to only around \$180,000 as at the end of December 2018, the actual effect of early withdrawal for helping with home purchase is limited; if the accrued benefits are used as a lump sum for down payment, when property price drops and property

owners become unable to repay their mortgages, they will lose their retirement savings or even run into additional debts, which goes against the original objective of the MPF System. Let us suppose that the benefits are “only” used for mortgage repayment. If an employer and an employee each contribute an amount equal to 5% of the employee’s income of \$30,000, which is the maximum level of monthly income for contribution purposes, and no voluntary contribution is made, an additional amount up to \$3,000 will be needed each month. Not only is this insufficient for mortgage repayment, but the employee will be deprived of retirement protection. In the long run, this will even aggravate the poverty problem of those elderly persons who have assets but no income.

People say enviously that the provident fund in Singapore can be used for a number of purposes. However, the provident fund contribution rate in Singapore is 37%, whereas in Hong Kong, the rate is 10% and no guaranteed returns are offered. That is why I think the most urgent thing to do now is to enhance the MPF System, rather than draining the already limited pool of MPF benefits, which will cause a massive impact on the retirement protection of the general public. Therefore, I speak on behalf of HKFTU to propose the amendment and oppose the original motion.

Lastly, I declare that I am a Non-Executive Director of the Mandatory Provident Fund Schemes Authority.

Deputy President, I so submit.

MR CHAN KIN-POR (in Cantonese): Thank you, Deputy President. I am very grateful to Dr Junius HO for proposing the motion on revitalizing the Mandatory Provident Fund (“MPF”) today. In my view, the original motion has expressed constructive criticism about MPF, and put forward some creative suggestions. Nevertheless, given the low contribution rate in Hong Kong, can we do so much with MPF? This question is worth considering. Actually, there are numerous misunderstandings about MPF in society as members of the public generally think that the return rates of MPF are not good and the benefits have been eroded by inflation. However, anyone who has studied the actual data will know this is not the case. That is why, in my amendment, I have only added to the original motion the latest figures concerning MPF returns published by the Mandatory Provident Fund Schemes Authority (“MPFA”) to show everyone the actual situation clearly.

Due to the pandemic, the interest rate hike in the United States and other factors, global equity markets have declined across the board, with the Hang Seng Index (“HSI”) falling by as much as 40% from a peak last year to a trough this year. Given the global market crash, people suffer heavy investment losses on not only MPF funds, but also other funds or equities. Thus, any comments that stress losses from MPF investment fail to reflect the whole picture.

In April this year, HSI plunged to a 10-year low of some 18 000 at one point due to the fifth wave of the epidemic in Hong Kong. Yet, according to the figures published by MPFA in April, the overall annualized rate of return on MPF from the inception of the system to this year, after netting administration fees—please bear in mind that the figure is net of administration fees—was 3.1%, and that on the Core Accumulation Fund, commonly known as the lazybones’ fund still reached 5.9%, “beating” the inflation rate of 1.8% over the same period. Therefore, if members of the public understand that the rate of investment return on MPF is much higher than the inflation rate, it will not be necessary to introduce inflation-linked funds or savings funds.

In fact, past experience shows that when the economy recovers, MPF returns will rebound strongly to register a double-digit growth, thereby not only recouping the loss, but also surpassing the previous mark eventually. We may, for example, take a look at the annual rate of investment return on MPF, which stood at 26.6% in 2009, 12.4% in 2012, 22.3% in 2017, 12.2% in 2019, and 11.7% in 2020. That being the case, we should not be too bothered by the short-term performance of MPF funds, which are indeed long-term investment.

For a more holistic view, we need to disregard the current extreme situation and look at the investment performance in normal times. For instance, in 2020, the annualized rate of return on MPF was 4.8%, and that on the lazybones’ fund was even as high as 8.3%. Both figures were net of administration fees. The corresponding figure for equity funds was 5.4%. Therefore, the funds yielded decent returns. In 2021, the equity market crashed in the second half of the year. The annualized rate of return on MPF was 4.3%, while the corresponding figures for the lazybones’ fund and equity funds were 8.7% and 5.1% respectively. Thus, the funds still generated reliable returns.

We can see that in normal times, MPF funds consistently generate satisfactory returns, and the lazybones’ fund even delivers remarkable performance. All figures mentioned today are net of administration fees. Therefore, it is not true that the return rates of MPF are poor. It is worth noting

that despite the equity market crash, the six-year cumulative return on the lazybones' fund as at late May 2022—that is, a recent figure—was still as high as 34%, which is an attractive rate of return. I believe it will still be a worthwhile investment option in future. In fact, MPF contributions can be voluntary, and members of the public may make contributions to their MPF accounts on a voluntary basis. The amount of voluntary contributions was \$14.9 billion in 2021, accounting for 18% of the total contributions. Members may think about it. If the investment returns are unsatisfactory, why will anyone make voluntary contributions?

Some say that the Exchange Fund yields a much better rate of return than MPF. This is not true either. The annualized rates of return on the two funds are actually more or less the same. After netting the fees, the annualized rate of return on the Exchange Fund was 4.8% in both 2021 and 2020, while the corresponding figures for MPF were 4.8% and 4.3% respectively. In fact, the two funds are not directly comparable because the Exchange Fund takes a conservative approach to investment due to its purpose of maintaining the stability of the Hong Kong dollar, and it does not take care of its administrative work. Therefore, if the Exchange Fund undertakes its own administrative work, its rate of return will be lower than that of MPF.

As for administration fees, the average rate is currently 1.39%, and the average rates for the lazybones' fund, which delivers satisfactory returns, and index funds are just 0.79% and below 1% respectively. As we can see, MPFA is now pressing ahead at full steam with development of the eMPF Platform, which will lower the cost by 3%. That is why in my amendment, I urge the Government to expeditiously launch the eMPF Platform.

Lastly, I think that members of the public should know how to invest in funds properly in order to truly benefit themselves. Some people have a misunderstanding that funds with a low return are the safest choices. As a matter of fact, such funds are bound to get “beaten” by inflation. For this reason, those who will retire many years later should choose funds that perform better (*The buzzer sounded*) ... in order to receive better returns.

DEPUTY PRESIDENT (in Cantonese): Mr CHAN Kin-por, your speaking time is up. Please stop speaking.

Dr David LAM, please speak.

DR DAVID LAM (in Cantonese): Thank you, Deputy President. First of all, I declare that I am a surgeon in private practice as well as a Hospital Governing Committee member of Tseung Kwan O Hospital.

I am very grateful to Dr Junius HO for proposing the motion on revitalizing the Mandatory Provident Fund (“MPF”), which is an important source of funds for our retirement lives. Other sources of funds include investment, savings, family support and, if necessary, the public safety net.

Given the importance of MPF, it is indeed true that people should not be allowed to withdraw the benefits at will. Under the current legislation, early withdrawal of MPF is permitted only under six circumstances: first, death, that is, the benefits will not be used by the scheme member; second, early retirement between the ages of 60 and 64; third, permanent departure from Hong Kong; fourth, having a balance of less than \$5,000; fifth, terminal illness; sixth, total incapacity.

We may imagine a person who is seriously ill but not terminally ill, and his doctor—a Hospital Authority (“HA”) doctor—recommends him to use a self-financed drug on the Drug Formulary. However, he cannot afford it, nor is he eligible for the Community Care Fund or the Samaritan Fund. All he can do is look at his MPF balance and sigh helplessly.

Won’t he have a better chance to enjoy his twilight years if he can use his MPF benefits to pay for the drug he needs? Spending the benefits on retirement preparation should not be deemed to go against the original purpose of MPF.

Some may say, “Dr LAM, you are speaking in your own interests.” No, I am talking about an HA patient who needs to use a self-financed drug on the Drug Formulary. In fact, I think the use of MPF benefits for medical purposes must be subject to stringent restrictions—they can only be used for specified purposes at designated institutions, with a cap on the amount or proportion of benefits that can be used.

Dr Junius HO suggests allowing people to withdraw MPF benefits for taking out medical insurance, which I think should only be limited to Standard Plans under the Voluntary Health Insurance Scheme (“VHIS”) designed by the Government. The annual premiums for VHIS Standard Plans are around \$1,800 to \$2,800 for a 30-year-old, and around \$4,500 to \$7,000 for a 50-year-old. This sum amounts to 5% to 20% of an annual MPF contribution of \$36,000.

Regarding the use of VHIS, I further suggest that second class wards be reintroduced in public hospitals. These better-quality beds provide more privacy and comfort, while requiring a lower level of subsidy from public funds. Members of the public may make a VHIS claim for the expenses, and the cost difference of around 50% will be borne by the Government in full. Those “safety net” beds, which require a subsidy level of over 95% from public funds, will be reserved for those genuinely in need.

Without a healthy body, it is not possible at all to lead an active retirement life. If the MPF System can be suitably revitalized to allow MPF benefits to be used for medical expenses or specified health insurance plans subject to stringent restrictions, members of the public will receive adequate protection and enjoy better health in their twilight years. This will truly revitalize the MPF System and pave the way for a healthy retirement life for them.

Thank you, Deputy President. I so submit.

MR DENNIS LEUNG (in Cantonese): Deputy President, we passed the amendments to the legislation relating to the Mandatory Provident Fund (“MPF”) in the Chamber last week to abolish the offsetting arrangement of MPF, which had caused this piggy bank to crack in the past two decades. While the amendments have not come into force, this week, some Members already suggest using the MPF money in this piggy bank. This shows that MPF is such an attractive piggy bank that Members attach great importance to it.

Deputy President, I hope that before smashing this piggy bank to get the money, we should first think carefully why we have to take the trouble to save 5% of our income every month in the first place. We may read the long title of the Mandatory Provident Fund Schemes Ordinance (Cap. 485), which states that MPF is established for the purpose of funding benefits on retirement. Therefore, this piggy bank is for retirement, not medical expenses or home ownership. It is just intended for retirement protection.

Some people may say that provident fund schemes are also available in many foreign places, and their governments also require both employers and employees to make contributions, but the funds can be used for many purposes. For example, in Singapore, the funds can be used to buy Housing and Development Board flats or cover education or medical expenses. It is true that the Central Provident Fund (“CPF”) in Singapore can fully meet the demands put forward in the original

motion and some of the Members' amendments today, which sounds really great. However, the contribution rate of CPF may not be acceptable to all Hong Kong people. As a matter of fact, an employee below the age of 55 in Singapore is required to contribute 20% of his income to CPF, while the rate of contribution by the employer stands at 17%, making a total of 37%. Of a Singaporean's monthly income, 23%, 6% and 8% will go into Ordinary Account, Special Account and MediSave Account respectively. In contrast, the MPF contributions by the employer and the employee in Hong Kong only add up to 10% of the employee's income. It is not possible at all for MPF in Hong Kong to serve additional purposes.

Besides, it is worth noting that Hong Kong in fact lacks a publicly-managed contributory system, which is the first pillar in the multi-pillar model advocated by the World Bank for retirement protection. The function of this pillar is just performed by privately-operated MPF schemes in Hong Kong, which form the second pillar in the World Bank's model. In other words, MPF has to perform the functions of two pillars. It is already very difficult to provide retirement protection for members of the public with this pillar alone. If its strength is reduced, the whole system can hardly be sustainable. Therefore, any groups that are concerned about labour workers and people's retirement should not consider undermining MPF unless there is a new retirement protection system in Hong Kong to serve as the first pillar.

Deputy President, the original motion suggests revitalizing MPF. How can MPF be revitalized? I believe the most effective way is to improve the returns. In fact, we may take a look at Singapore again. A minimum guaranteed interest rate is offered under CPF. The interest rate of Ordinary Account stands at 2%, while the floor interest rates of Special Account, MediSave Account and Retirement Account are 4%, subject to meeting the requirement for the amount. In Hong Kong, the MPF System recorded a -0.3% return in 2021. In the past 21 years, positive returns were achieved in only 14 years, whereas negative returns were registered in 7 years. The annualized net rate of return since the inception of the system in 2000 is only 4.3%, which is higher than the inflation rate but not enough for people to accumulate wealth. In particular, in the case of grass-roots employees, their retirement protection and retirement lives will eventually be compromised due to a low MPF balance and slow returns. Thus, in order to revitalize MPF, the Government should not just set up a platform and then leave it to the market, taking no interest in any profits or losses. On the contrary, it should make proactive efforts to change the market by, inter alia, introducing various types of cost-effective MPF products so that people of different ages can seek better

returns in the light of their needs. Besides, The Hong Kong Federation of Trade Unions (“HKFTU”) has been asking for a safety net in the form of MPF schemes with a guaranteed rate of return of the inflation rate plus 1% so that MPF will serve the purpose of investment as well as wealth accumulation for the public. Since the Government has invested in various funds, I believe it will not have any big problems introducing a portfolio or product that generates modest profits. The problem is whether it is determined to think outside the box.

Deputy President, HKFTU has been demanding the Government to introduce enhancement measures over the years, including paying MPF contributions for low-income employees and implementing full portability for benefits dispersed across various MPF accounts. I hope the Government can get these done as soon as possible because a journey of a thousand miles begins with a single step. Enhancing MPF should not mean smashing this piggy bank, but strengthening its function of retirement protection so that people can rely on it for their retirement. With these remarks, Deputy President, I support Mr TANG Ka-piu’s amendment.

UNDER SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy President, first of all, I thank Dr Junius HO for moving the motion and Mr TANG Ka-piu, Mr CHAN Kin-por and Dr David LAM for proposing the amendments so that the Government can listen to views on revitalizing the Mandatory Provident Fund (“MPF”) System in the Legislative Council (“LegCo”).

The MPF System has been implemented since December 2000 to provide long-term retirement protection for members of the public. It can be likened to a marathon that lasts for three to four decades. The debate today presents a good opportunity for us to review the progress and set out our vision on this system, which has been implemented for 21 years.

Policy intent

MPF has been serving the function of the second pillar of the overall retirement protection framework in Hong Kong. It is a mandatory retirement savings system for the employed population in Hong Kong. The system and other retirement protection pillars, such as social welfare and personal savings, complement each other.

The Government and the Mandatory Provident Fund Schemes Authority (“MPFA”) have endeavoured to implement various measures over the years to keep enhancing the MPF retirement protection. For example, in 2012, the Employee Choice Arrangement, commonly known as “MPF semi-portability”, was introduced; since 2015, terminally ill or totally incapacitated scheme members have been allowed to withdraw their accrued benefits early; in 2017, the fee-controlled Default Investment Strategy was launched; in 2020, MPFA added the Shanghai and Shenzhen stock exchanges to the list of “approved stock exchanges”, thereby facilitating MPF investment in Mainland A-shares; in early June this year, LegCo passed a legislative proposal to facilitate MPF investment in bonds issued by the Mainland Government; and we are now preparing for the launch of the eMPF Platform. All these measures aim to enhance MPF on various fronts for the benefit of scheme members.

MPF is a long-term savings plan specifically for retirement, and therefore it is subject to the preservation requirements. If scheme members are allowed to withdraw part of their accrued benefits at any time before the retirement age or without meeting other statutory requirements, this will definitely undermine their discipline to save up regularly and compromise the important function of MPF to accumulate benefits for decades for value growth. Therefore, in taking forward any suggestions to improve or revitalize the MPF System, our primary concern must be to maintain the effectiveness of the MPF retirement protection, or else the policy intent of the MPF System will not be achieved in the end.

Investment performance of the Mandatory Provident Fund

In order to give full play to the MPF retirement protection, scheme members accumulate retirement savings through long-term regular contributions and investment by leveraging the compounding effect and the power of dollar cost averaging. The investment returns on MPF are certainly important. In his motion, Dr Junius HO precisely cites the recent investment performance of MPF as one of the justifications for relaxing the restrictions on MPF withdrawal.

MPF is a savings and investment plan that spans three to four decades, during which we will inevitably experience different economic cycles and fluctuations in the financial market. For this reason, it is actually not very meaningful for some private organizations to monitor and analyse the short-term price movements of MPF funds from time to time. From some data collected by MPFA over a longer

period of time, we can see that the net investment return on MPF since the inception of the MPF System has amounted to over \$326 billion, and the annualized net rate of return was 3.6% as at the end of the first quarter this year, while the annualized change in Composite Consumer Price Index over the same period was +1.8%. Regarding the Default Investment Strategy launched in April 2017, its Core Accumulation Fund and Age 65 Plus Fund have performed very well from the outset, with their annualized net rates of return standing at 7.2% and 3.2% respectively. In other words, MPF investment has not only far outstripped inflation, but also stood the test of time.

MPF cannot be spared from the recent volatile market conditions, and short-term impact on MPF investment is inevitable. However, MPF investment is long term rather than speculative. The compounding effect and dollar cost averaging mitigate the effect of short-term market fluctuations on long-term investment returns by averaging out the costs of the units over time. In the past 21 years, positive returns on MPF investment were recorded in 14 years. Despite recording negative returns in some years, the fund prices could usually rebound quickly and scheme members could even more than recoup the short-term loss. We should focus on the long-term investment returns on MPF rather than the investment performance in one single year or short-term market fluctuations.

Enhancing the Mandatory Provident Fund System

While it is impossible to control investment returns, the Government and MPFA have been taking a multi-pronged approach to reduce MPF fees, with a view to ensuring that the investment made by wage earners is good value for money. The average Fund Expense Ratio (“FER”), which is an indicator of MPF fee level, dropped from 2.1% in 2007 to a new low of 1.39% in March this year. Besides, at present, more than half of the constituent funds have an FER of not more than 1.3%. When all MPF trustees and their schemes have migrated to the eMPF Platform under development as scheduled, it is expected that the average MPF administration fee paid by scheme members will reduce by around 30%, and FER will also drop correspondingly.

The eMPF Platform is in the development stage. We aim to complete the development of the user-oriented eMPF Platform by the end of this year at the earliest. The system testing by MPF trustees will be completed in around April 2023, and then the system will be ready for their onboarding in phases. After the

onboarding of all trustees is completed, the eMPF Platform will become fully functional in around 2025. MPFA and we are sparing no effort to take forward the eMPF Platform at full speed so as to create room for fee reduction for scheme members as early as possible, and explore opportunities to introduce new measures and features, thereby providing support measures for the abolition of offsetting arrangement and paving the way for implementing MPF full portability.

The motion and amendments proposed by Members mainly concern how to further improve the retirement protection policy, enhance the MPF System, enrich the investment options for MPF funds and increase the net returns on MPF investment. Among them, Dr Junius HO and Dr David LAM suggest allowing MPF benefits to be used to pay medical insurance premiums or medical expenses.

Currently, the rates of MPF contribution by an employer and an employee are 5% each, with the combined annual mandatory contribution by an employer and an employee being capped at \$36,000. If MPF benefits not only serve as retirement savings, but are also used to pay medical insurance premiums or medical expenses, we will need to consider whether the MPF assets of scheme members can meet their various financial needs without increasing the contribution rate or compromising their retirement savings.

Deputy President, I will first listen to various Members' views before giving an overall response on the motion, the amendments and other Members' views in my concluding speech.

Thank you, Deputy President.

MS DOREEN KONG (in Cantonese): Thank you, Deputy President. The Mandatory Provident Fund ("MPF") System is set up in Hong Kong to help the workforce save up for their retirement. It is an important part of the existing retirement protection framework in Hong Kong. The MPF performance and enhancement measures for the system have become a very popular discussion topic in the community and the Legislative Council in recent years. I support Dr Junius HO's motion, and agree with Mr CHAN Kin-por's amendment, which urges the Government to launch the eMPF Platform in order to reduce administration fees. The Government should also adopt various initiatives to increase the flexibility of MPF and expand scope of its uses.

At present, there are basically three areas of controversy over the MPF System in Hong Kong. First, the values of the funds are highly volatile as a result of market fluctuations. From the data, we can see that MPF is not resilient enough to counter financial market risks, failing to provide adequate protection. In the 20-odd years since the inception of the system, the MPF returns have been adversely impacted by a number of “black swan events” such as Brexit, the Sino-United States trade war and the novel coronavirus. Meanwhile, there is no legislation providing for the minimum rate of return on MPF in Hong Kong.

(THE PRESIDENT resumed the Chair)

The second issue is about the lack of flexibility. The original purposes of the MPF System are to cope with an ageing population and provide retirement protection for Hong Kong people. Yet, its implementation has been plagued by a rigid age requirement, one single purpose, difficulties regarding early withdrawal and limited investment options. All these restrictions have to be removed.

Thirdly, the MPF System has one single purpose, and fails to provide protection for unemployed and non-working persons. It is stipulated that people are only allowed to withdraw MPF benefits for retirement protection on reaching the age of 65, rendering it impossible to use them for medical expenses or home purchase. Moreover, the MPF System only benefits scheme members, thus failing to establish a sound social security system, or support or complement other social security measures.

We may draw reference from the relevant practices in other places around the world. For instance, the Central Provident Fund (“CPF”) in Singapore is a prime example of a highly flexible social security system. Although some Members have just pointed out the differences between the systems in Hong Kong and Singapore, I believe the Singaporean system is still relevant. CPF not only provides the funds for the people to purchase public housing units or policy-related housing units such as Housing and Development Board (“HDB”) flats, but also establishes a national social security system in Singapore to address the needs of Singaporeans at various stages of their lives. To provide different kinds of protection, there are three types of accounts under CPF in Singapore. The CPF savings in the Ordinary Account can be used to purchase HDB flats, cover

children's education expenses and invest in equities. The Special Account is exclusively meant for retirement savings. The MediSave Account can be used to meet healthcare needs and pay medical insurance premiums. In addition, the management cost of CPF is low due to its centralized management model. As for savings security, the Singapore Government guarantees the annual interest rate of CPF savings, and invests the funds in special high-interest government bonds, thereby achieving the basic objective of preserving retirement savings. This shows that savings security is its top concern. CPF in Singapore has truly established a social security system to meet the needs of the public as and when necessary.

From a policy and legal perspective, thorough consideration should be given to establishing a social security system to meet a range of needs in the long term. Saving up for the sake of saving up goes against the original purpose of the system to ensure social fairness. In other words, the MPF System in Hong Kong is just the first step towards providing social security. Anyway, if the restrictions on the MPF System are not truly removed, it can hardly truly serve the purpose of relieving people's hardship.

President, I so submit.

MR LAI TUNG-KWOK (in Cantonese): President, first of all, I thank Dr Junius HO for proposing the motion on “Revitalizing the Mandatory Provident Fund” today. People with a good memory may find this motion familiar. It is true that Dr HO also moved a motion on “Revitalizing the Mandatory Provident Fund” in February 2019. The wordings of the two motions are almost exactly the same. Both of them suggest allowing members of the public to use Mandatory Provident Fund (“MPF”) to take out medical insurance. It is just that the relevant MPF figures have been updated in this motion. On the last occasion, the original motion and all the amendments were negatived.

When it comes to MPF, we will inevitably discuss its problems. A number of Members have mentioned or will mention them. Apart from the offsetting arrangement, which this Council passed a bill last week to abolish, the other problems can be summarized into two categories: first, poor performance; second, high fees. I also wish to first express my position on these issues.

Today's motion is interestingly timed. As stated in the original motion, MPF performed poorly in the previous year, that is, from April 2021 to March this year. Some comments have even pointed out that a net loss of \$97.7 billion was recorded that year, which is the worst loss in one year since the inception of the MPF System.

Nevertheless, I think we should be fair. We may first look at its rate of return objectively. The rate of return last year was -8.6%, the fourth worst since the inception of the MPF System. More importantly, the global investment market was very lacklustre in the past year. Therefore, MPF performed poorly that year through no fault of its own. In fact, the annualized rate of return on MPF from its inception in 2000 to the end of March 2022 was 3.6%, which was noticeably higher than the inflation rate of 1.8%. It is fair to say that MPF has served its function.

Of course, we all hope that MPF can be enhanced. There have been discussions about its fees for many years. MPF fees mainly consist of investment management fees, administration fees and other miscellaneous items. Since the Default Investment Strategy was introduced to the MPF System several years ago, members of the public have been able to choose the Core Accumulation Fund, which involves lower investment management fees. Nevertheless, regarding administration fees, the SAR Government acknowledged "the high administration costs of the MPF System" in a paper submitted to this Council even in March this year.

Against this background, the eMPF Platform, which is claimed to be able to reduce administration fees by more than a half over a 10-year period and has been discussed for a number of years, is long overdue. While this platform is expected to start operating only in 2023, it is better late than never. Past figures show that MPF fees decreased continuously from 2.1% in 2007 to 1.42% in 2021. I have done a rough calculation. If administration fees can be reduced by half as the Government claims, the overall MPF fees will drop to around 1.1% by 2033. It sounds quite good, but can this really be achieved? I hope the SAR Government's calculation will not turn out to be wrong at that time.

Let us go back to the suggestion set out in the original motion today. It advocates that members of the public be allowed to use MPF to take out medical insurance. Similar measures have been implemented in other places. However, there are at least two major issues with this suggestion. Firstly, MPF is, by design,

a long-term savings plan specifically for retirement as well as part of the retirement protection framework in Hong Kong. If a decision is rashly made to change its uses, members of the public will have less money for retirement, and the entire retirement protection framework will be affected, which is unsatisfactory.

Secondly, the MPF contribution rate in Hong Kong is much lower than that in other places. For example, in Singapore, the Central Provident Fund can be used to take out medical insurance. However, an employee below the age of 55 in Singapore is required to contribute 20% of his income, while the rate of contribution by the employer stands at 17%, making a total of 37%. This differs greatly from the contribution rate of 10% in Hong Kong. However, if the contribution rate is to be increased, I am afraid it will not be easy to forge a consensus in society as we can see it took an entire decade to abolish the offsetting arrangement from discussion to the enactment of legislation last week. President, I so submit.

DR CHOW MAN-KONG (in Cantonese): President, *A Lifelong Journey*, a very popular Mainland drama series recently broadcast online, talks about the ups and downs of the lives of grass-roots families, including their healthcare, employment and housing problems. It has even given me inspiration for the speech on the motion on enhancing MPF (Mandatory Provident Fund) today. Moreover, it is well known that the Government's anti-epidemic efforts have been inadequate during the two-year pandemic, resulting in a significant increase in demand for healthcare services, especially private healthcare services. No wonder a number of Members have proposed the motion and amendments.

At present, various places around the world, including Hong Kong, are facing challenges posed by a rapidly ageing population. According to the Government's estimate, the median age of the population will increase substantially from 45.5 in 2019 to 57.4 in 2069; and the life expectancies at birth for males and females will increase to 88.4 years and 93.9 years respectively. While our population lives longer and longer, what about the protection for them? Members should not forget that in addition to MPF, which is almost a sacred and inviolable system as described by Members just now, there are many other pillars in the retirement protection framework in Hong Kong, including the minimum support offered by the Government, "Retire 3" and reverse mortgage.

With an overall ageing population, the dependency ratio will increase in the future, which implies that the future generations have to support more retired people. The MPF System is designed to assist working persons in accumulating savings for retirement protection. A number of Members, especially “Brother Por”, have just presented some figures from a professional perspective. Anyway, under the MPF System, I started contributing a few hundred dollars to my account from the age of 18 or 19, and accumulated several hundred thousand dollars. However, in the past two or three years, the balance has dropped from several hundred thousand dollars to just some \$200,000. Therefore, it is no surprise that Members have commented on the poor performance of MPF and become doubtful about the system. Moreover, just now some figures have shown that voluntary contributions account for around 10% of the total contributions, which is a rather low proportion.

It appears that the performance of MPF has gone downhill, inevitably casting doubt on its function as retirement savings. It is not ideal to just ask employees to make long-term investment in funds or bonds while their retirement savings are evaporating amid short-term market fluctuations, failing to provide adequate protection for them. Therefore, it is particularly critical for us to discuss how to enhance the MPF System in order to ensure solid and sustainable returns on such investment, thereby safeguarding the overall interests of employees.

Various Members have just mentioned many cases, including Singapore and Malaysia. I would like to give a more detailed explanation here. Let us take Singapore as an example. There are a rather wide variety of investment options under the Central Provident Fund (“CPF”). Since 1968, Singaporean nationals have been allowed to use part of their monthly CPF savings to purchase Housing and Development Board flats. Since 1981, the scope of their uses has been extended to the purchase of private residential properties. CPF not only enables Singaporean nationals to afford residential properties, but also provides incentives for them to make more voluntary contributions for investment. What is its formula of success? Besides requiring mandatory contributions, it also provides incentives to increase voluntary contributions. Members have just heard that voluntary contributions currently account for a low proportion in Hong Kong. A study even shows that if the estimated net rent is taken into account in the calculation of income replacement rate, the income replacement rates of male and female employees earning a median income will increase by 12% and 15% respectively. In addition, Singaporean nationals are also allowed to use part of their contributions to take out medical insurance for better protection if necessary.

In Malaysia, as some Members have just mentioned, the contributions can be used for privatization projects, real estate, higher education course fees, etc. We can see that its nationals have diversified investment options available. However, I have to stress that there is a gap in the contribution rates between Hong Kong and Malaysia.

What I wish to say is that enhancing MPF does not mean damaging it, taking money from it at will or smashing this piggy bank. This is definitely not the case. Nevertheless, it is worth considering increasing the choices of constituent funds or uses of contributions because people can improve the quality of their lives and enjoy a secure retirement by making various retirement protection plans, including purchasing medical insurance and properties, and getting a reverse mortgage.

President, I so submit.

MR CHAU SIU-CHUNG (in Cantonese): President, the Mandatory Provident Fund (“MPF”) System has drawn more criticisms than praises in our society since its inception in late 2000. I believe the general public do not oppose enhancing the MPF System. However, it is suggested in the original motion and various Members’ amendments that scheme members be allowed to withdraw MPF benefits early for taking out medical insurance, paying medical expenses or even purchasing properties. I would hardly agree with this suggestion.

As far as the MPF System is concerned, besides complaining that the offsetting arrangement has undermined the MPF retirement protection, people mostly criticize the investment performance of MPF. This point is also mentioned in Dr Junius HO’s motion. MPF has recorded a huge loss since the start of this year. I agree that inconsistent investment performance is a very serious problem. If wage earners suffer a loss in their MPF accounts for a prolonged period of time, their hard-earned money will go down the drain, which will seriously affect their retirement plans.

President, MPF investment returns are not only affected by the overall economic and investment environment, but also largely determined by the investment options of scheme members. As a matter of fact, not many wage earners know how to choose their schemes or whether high-risk or low-risk schemes are suitable for them. They do not even know how to check the past investment performance of MPF funds. Under such circumstances, how can they make rational and right investment choices?

In my view, the best approach is to set a minimum guaranteed rate of return on MPF funds, and the Government may act as the trustee of the funds and offer fund schemes that generate stable returns and charge low administration fees. In that case, wage earners will no longer fret over MPF returns, or worry that their retirement plans will be affected by global economic fluctuations.

President, moreover, the MPF assets have already grown to over \$1 trillion now. The Government is fully justified and capable of requiring fund trustees to substantially reduce administration fees. At the same time, it should also set up a reward and punishment mechanism based on the investment returns on the funds. Under the mechanism, fund portfolios with a high rate of return may charge slightly higher administration fees, whereas, if the funds yield a low overall rate of return for a prolonged period of time, the fund trustees should be punished or even removed. This is the only way to ensure that fund trustees are motivated to improve the fund portfolios from time to time, and completely alter their mindset of charging administration fees without doing anything.

President, some people may ask: Why can the Central Provident Fund in Singapore be used for home purchase or medical expenses? A number of Members have given a clear overview, and I will not repeat it. The contribution rate in Singapore is 37% of the relevant income while the rate in Hong Kong is just 10%. Even if factors such as the offsetting arrangement and losses are not taken into account, the sum may not be enough for retirement. How can people be allowed to withdraw it for other purposes? The Government should solve healthcare and housing problems through other policy initiatives. Perhaps some people would ask: Since I have been unemployed for a long time, how come I am not allowed to withdraw MPF benefits to meet urgent needs? In fact, this question has been discussed many times. To tackle unemployment issues, the Government should set up an unemployment assistance system rather than allowing employees to use their MPF benefits, which are intended for retirement protection.

President, I agree that the Government needs to enhance the MPF System. However, while doing so, it must reinforce its retirement protection function. In the long run, the Government should make more commitments and take the initiative to improve the whole retirement protection system.

President, I so submit.

IR CHAN SIU-HUNG (in Cantonese): Thank you, President. First of all, I would like to thank Dr Junius HO for proposing the motion on “Revitalizing the Mandatory Provident Fund”, which gives Members a chance to speak our minds freely on the Mandatory Provident Fund (“MPF”) System here.

To begin with, I reckon there is ample room to improve and enhance the MPF System. It is one of the four pillars of the retirement protection framework in Hong Kong. During the 20-odd years of its implementation, not only has there been considerable controversy over the offsetting arrangement, it has also been criticized for low returns, excessive management fees, inadequate retirement protection, etc. Therefore, I think that, objectively speaking, it is necessary to reform, revitalize and enhance the MPF System in a timely manner, which is also the wish of the public.

President, I know that the Mandatory Provident Fund Schemes Authority (“MPFA”) is making a lot of efforts to reform and enhance the MPF System, as well as taking measures to reduce management fees. However, in my view, there have been inherent flaws in the MPF System from the outset. MPF is a retirement policy in nature because it is set up to enable members of the public to accumulate sufficient savings for retirement. Nevertheless, by design, since the first day MPF was implemented, the Government has entrusted the people’s contributions to profit-oriented private fund companies for management. Despite paying exorbitant management fees, the people are not offered guaranteed investment returns and have to bear investment risks on their own. The general public are burdened and bewildered by this system which integrates retirement protection with risky investment. In my opinion, it is the Administration’s responsibility to thoroughly review and reform the MPF System so that members of the public will not think that the MPF System fails to provide them with retirement protection, but only secures considerable returns for fund companies.

President, there is no dispute that MPF charges high fees, generates low returns, and fails to provide effective retirement protection. According to an MPFA report, in 2021-2022, the annualized net internal rate of return of the MPF System was -8.2%, and its net investment return was -\$97.76 billion. Moreover, due to the lacklustre performance of the investment market, the per capita loss in MPF benefits amounted to \$32,476 in the first five months of this year. Wage earners have indeed suffered a significant loss.

From a macroscopic perspective, the annualized net internal rate of return from the inception of the MPF System in December 2000 to the end of March this year was 3.6%. While it beat the inflation rate of 1.8% over the same period, MPF is the most important retirement protection for general wage earners who do not earn a high income, and the sum they can withdraw at the time of retirement will be far from sufficient to enable them to lead a secure retirement life with dignity as they have expected. There have been strong voices in the community calling for lower MPF fees and greater security for MPF investment. They also hope that the eMPF Platform will be launched more promptly, thereby lowering the cost through efficient and digitalized operation.

President, in recent years, the public have generally faced problems such as difficulties in home ownership and long waiting time for public hospital services. Worse still, the protracted novel coronavirus epidemic has dealt a tremendous blow to the economy of Hong Kong, rendering it hard for many people to make a living. Under such circumstances, I think the Administration should adopt a new mindset to explore flexible uses of MPF so that members of the public can use their own savings to address pressing needs.

As far as I understand, there are views that people's retirement protection will be affected if their MPF savings are used for other purposes. Yet, if they can hardly make a living at the moment, even though the Government has outlined a plan for a wonderful retirement for them, what is the use of it and does it mean anything to them?

Of course, MPF concerns the retirement protection for wage earners, and involves an enormous amount of money. The MPF System must be reformed and revitalized carefully and prudently. If the Administration is to reform and revitalize the MPF System in the future to allow MPF benefits to be used for medical expenses, home ownership or other purposes, it must restrict the use of them to specified purposes. Besides, it must make proper explanation and public education efforts to ensure that people will understand the implication of this arrangement for their retirement protection before making a decision they will not regret. On the other hand, I think it is time that the Government should take the initiative to conduct some studies. For example, it may, by drawing reference from the experience of Singapore, consider replacing MPF with a central provident fund, or using the existing MPF savings as the initial capital for the implementation of universal retirement protection.

Lastly, I would like to point out that Hong Kong is now in an era of good governance, and rational discussions have been restored in the Council for a long time. I hope that the Government will adopt a proactive attitude in addressing the various shortcomings with MPF and take a multi-pronged approach to enhance the MPF System, with a view to giving full play to the system and providing better retirement protection for members of the public.

I so submit. Thank you, President.

MR MARTIN LIAO (in Cantonese): President, the retirement protection system in Hong Kong is based on the multi-pillar model advocated by the World Bank. As the second pillar, the Mandatory Provident Fund (“MPF”) System is a privately-managed mandatory contribution scheme, which complements with other pillars and provides people with basic retirement protection.

There are currently around 4.5 million MPF members and the total assets amount to \$1.15 trillion. The Mandatory Provident Fund Schemes Authority (“MPFA”), the dedicated statutory body responsible for regulating and monitoring MPF schemes, should make concerted efforts with the Government and keep enhancing the MPF System in response to social changes and public expectations. In fact, MPFA has done a great deal in the past, such as the implementation of “MPF semi-portability”, which allows employees greater autonomy in selecting trustees; the launch of the Default Investment Strategy, which addresses the concerns of “high fees” and “difficulty in making investment choices”; and tax-deductible voluntary contributions.

President, I am not against a rational discussion on any suggestions to improve the MPF System, but we should clearly identify the original policy objective of MPF in the first place, which is to provide employees with basic retirement protection through the accumulation of contributions by employers and employees. The motion suggests allowing scheme members to use MPF to take out medical insurance. I find the direction worth exploring, but I would also like to raise some concerns.

First, at present, an employer and an employee are each required to contribute 5% of the employee’s monthly income to the MPF account, subject to a cap of \$1,500 for both. As an example, when a 40-year-old woman takes out a Voluntary Health Insurance Scheme, a basic Standard Plan with minimum

coverage and lowest claimable amount will cost her \$3,000 to \$4,000 each year; a Flexi Plan, being an “upgrade”, has an even higher annual premium of around \$6,000 to \$7,000; she even has to pay over \$10,000 for better coverage. Allowing people without a saving habit to take out insurance with their MPF, which is originally meant to be their retirement savings, is no different from encouraging them to spend beyond their means, undermining the function of MPF as basic retirement protection. Therefore, I believe we need more in-depth research and data analysis before making any decision on the suggestion to allow the use of MPF for taking out insurance. Otherwise, any rash reform will only confuse employees and distort the original intent of MPF.

In addition, some often compare the MPF System in Hong Kong with the Central Provident Fund System in Singapore. Some may find Singapore’s system more flexible as the funds go into different accounts and people can withdraw their MPF contributions to buy Housing and Development Board flats and pay for their children’s education, medical expenses, etc. However, in fact, the Singapore Government requires employees under the age of 55 to contribute 20% of their monthly income and employers to contribute 17%, making a total of 37%. In contrast, the combined rate of contribution by employers and employees in Hong Kong is merely 10% in general. The two systems are apparently too different to be mentioned in the same breath. One cannot compare apples to oranges. If we are to do so, we will first need to consider whether to alter the multi-pillar model and provide retirement protection, as well as whether our system should require employers and employees to make more contributions.

President, there is no perfect retirement protection system around the globe. As one of the pillars of the retirement protection system in Hong Kong, MPF must be enhanced continuously to meet the expectations and needs of the public. Yet, whenever a change is to be made, it is necessary to carefully analyse the pros and cons and forge a consensus in society.

In the absence of further research and data, I find it difficult to support the original motion and the amendments. I so submit.

MR LAM CHUN-SING (in Cantonese): President, let me first declare that I am a Non-Executive Director of the Mandatory Provident Fund Schemes Authority (“MPFA”).

I would like to thank Dr Junius HO for moving this motion, which enables us to have a debate on the Mandatory Provident Fund (“MPF”) System. The MPF System, set up for working persons to make savings for their lives after retirement, is not only a crucial component of the retirement protection system in Hong Kong, but also one of the five retirement protection pillars advocated by the World Bank.

Since the MPF System provides important retirement protection for wage earners, why are there often negative comments about it in the community? First, the administration fees are high; and second, as Dr Junius HO has pointed out in the motion, MPF records losses. The values of MPF investments fluctuate with changes in the global economy and share markets. In times of economic downturns like the past two years, which have been plagued with the epidemic, inflation and interest rate hikes in European and American countries, the market becomes even more volatile and deficits are seen in MPF, which worries many wage earners. Mr TANG Ka-piu has put forward many suggestions in his amendment to improve MPF returns and lower administration fees, all of which I support.

Nonetheless, I have reservations about taking out medical insurance with MPF, as mentioned in the latter part of the original motion. In fact, the Government and MPFA conducted consultation on early withdrawal of MPF more than a decade ago, which sparked discussions in the community. Subsequently, early withdrawal of MPF was only allowed under one circumstance, namely “terminal illness”, and a legislative amendment exercise took place. MPFA conducted another study in 2018 on allowing first-time home buyers to make early partial withdrawal of MPF for down payments. The average balance of MPF accounts was only \$180,000 at that time, and still merely \$268,000 last year. Since down payments often cost nearly \$1 million, how much does it help? For medical insurance, middle to high wage earners can readily afford medical insurance products on their own, but grass-root employees have low incomes and thus little MPF contribution. The annual cumulative contributions from an employer and an employee may only amount to some \$10,000. If a few thousand dollars or even nearly \$10,000 is spent on medical insurance every year, only meagre accrued benefits will be left eventually at the time of their retirement. Besides, we do not have a universal retirement protection system yet, so it will be really hard for them to support their retirement lives.

In addition, if employees are allowed to spend their accrued benefits anytime on taking out medical insurance or even buying flats simply because MPF has recorded losses in some years, it will run counter to the purpose of MPF as a retirement protection pillar for employees.

Some may ask, “Singapore can do it, so why not Hong Kong?” The Central Provident Fund (“CPF”) in Singapore goes into three different accounts which are intended for home purchase, retirement protection and medical insurance respectively. The total contributions from an employee and an employer are equal to 37% of the employee’s income under the CPF Scheme. How are the two systems comparable? I am open to any overall reform of the Hong Kong system, but we must conduct thorough consultation and forge a consensus in society.

Lastly, we should continue to lower MPF administration fees by such as expediting the launch of eMPF Platform, which the authorities expect to reduce administration fees by 30% on average. It is estimated that in 10 years after the launch, we can save a cumulative amount of up to HK\$30 billion to HK\$40 billion. Hopefully, this is just the minimum and more costs can be saved in the future to benefit not only trustees, but more importantly wage earners. As for healthcare, the Government should continue to enhance the Voluntary Health Insurance Scheme and strengthen primary healthcare services and so on to improve healthcare benefits of the general public.

President, I so submit.

MR YIM KONG (in Cantonese): Thank you, President. The Mandatory Provident Fund (“MPF”) System provides very important retirement protection for Hong Kong people, especially the salaried class. Therefore, MPF should be used for this purpose with a view to providing better protection for the retirement of Hong Kong people.

However, due to a number of factors such as the epidemic, market fluctuations, inflation, rising living costs and increased uncontrollable risks, people may not be able to secure protection for living expenses, medical expenses, etc. after retirement by adopting the current saving and investment practice.

I believe Dr Junius HO’s motion and other Members’ amendments on revitalizing MPF are well-intentioned, which allow us to consider and discuss the relevant matters and whether the “people-oriented” governance philosophy can be

manifested more flexibly, thus providing better protection for the people in genuine need. Yet, at the same time, given that MPF is a retirement savings system protected by law, if the rules are too lenient, some people may use it for other speculative purposes. We do have to be very careful in striking a balance between the two approaches. I would like to raise the following three points for consideration:

- (I) We need to conduct in-depth studies on using MPF for medical insurance and fully consider whether it is currently feasible to implement this suggestion. I agree with Mr Martin LIAO that we can explore the introduction of a medical insurance fund with contributions from both employers and employees under the MPF System. Under the system of “five insurances and one housing fund” in the Mainland, the rates of contributions by employers and employees towards medical insurance are 9% and 2% respectively, and those towards endowment insurance are 21% and 8% respectively. The current MPF contribution rate in Hong Kong is on the low side compared with Asian countries. If the already meagre benefits in a wage earner’s personal MPF account are allowed to be used for other purposes, the remaining amount may be sufficient to support his living for only a few years after retirement. Under the current system in Hong Kong, I personally find it difficult to let every citizen apply for using MPF to take out commercial medical insurance. At present, most large and medium enterprises take out commercial medical insurance for their employees. As for small and micro enterprises, it is worth exploring whether the Government should put concessionary policies in place to encourage employers to take out basic medical insurance for their employees.
- (II) The Government should also fully consider the pressing livelihood needs of some poor people. A case in point is cancer patients. Regarding the withdrawal of MPF by terminal cancer patients—those with a medically assessed life expectancy of not more than one year are currently permitted—can the Government expand the scope of this policy to include all cancer patients and also patients medically diagnosed with serious conditions, so that those with urgent needs can receive timely treatment? I am in favour of exploring the relevant matters.

- (III) I fully understand that MPF, as a long-term saving scheme, should be retained in the system as far as possible for accruing benefits. However, people are helpless to see the substantial losses recently recorded in MPF as a result of the financial market turmoil, and many of them are completely ignorant about how their MPF is being invested. Therefore, the Government should step up publicity on MPF investment management and provide guidance on risk management to ensure people's hard-earned money can be preserved and generate returns in a stable manner.

Lastly, I think that in the long run, the Administration should further review and enhance the retirement protection system in Hong Kong and take a multi-pronged approach in providing better retirement protection for Hong Kong people. For these reasons, I am supportive of further enhancing the MPF management system. I so submit, thank you, President.

MS STARRY LEE (in Cantonese): President, the Government has all along stressed that Mandatory Provident Fund ("MPF") is one of the important pillars of the retirement protection system, but wage earners' perception on MPF stays negative ever since the inception of the MPF System. There are even Honourable Members of this Council, including Mr Paul TSE present, who repeatedly advocate abolishing MPF and returning money to the people. Many Members have their eyes on MPF and moved different motions in the past.

As a Member serving the grass roots for years, I do often hear criticisms on MPF from the community and that people hope to withdraw MPF early. I believe such negative perception was formed and accumulated in early years. MPF has high fees but low returns. As the Government did not convey positive messages to the public in time, it becomes impossible to change people's stereotype about MPF over a short period of time. Coupled with other recent factors, such as the complicated geopolitical environment, the war between Russia and Ukraine and interest rate hikes in the United States, MPF records losses in short-term returns and once again arouses much discussion.

President, notwithstanding this, the Democratic Alliance for the Betterment and Progress of Hong Kong does not support Dr Junius HO's motion for reasons already raised by other Members, that MPF is an important pillar of the retirement protection system and the contribution rate in Hong Kong is extremely low. If we

support the motion at this stage without studies in greater detail or an overall revamp of the retirement protection system, that is to allow using MPF contribution for retirement insurance or other purposes, retirement protection for the people will be undermined.

I can see Dr HO's good intention of moving the motion, and there are really members of the public who make such strong call. However, taking into account that MPF is an important pillar of the retirement protection system, we do not support his motion at this stage.

Since I have received a lot of feedbacks from the public, I specially conducted a survey and study on such matters as MPF returns. To be fair, MPF generally performed well in the past, especially the "Core Fund". Mr CHAN Kin-por has shared the figures on MPF returns with us already. Regrettably, I think the data should not be shared by Mr CHAN on this single occasion. As I pointed out repeatedly, the Mandatory Provident Fund Schemes Authority ("MPFA") never has a spokesperson to tell the people how different funds perform.

In fact, MPFA has performed a series of works to change people's negative perception on MPF, such as the implementation of "MPF semi-portability"; the forthcoming launch of the eMPF Platform; the reduction of fees; and the setting up of "Core Fund". I appreciate all these efforts, but the same old problem remains. We criticized the Government earlier for not being proactive enough to properly explain the policies, and clarify erroneous and negative information. I believe the same criticism applies to public bodies, including MPFA. It is hoped that public bodies, as well as the Administration, will make changes in this new era to respond proactively and take the initiative to disseminate positive and factual information.

The concept of MPF, namely "snowball effect", is never complicated. We have given examples in this debate earlier. For a young man making \$20,000 per month, the contribution made by him and his employer will accumulate to \$720,000 after 30 years; if he puts some effort in his investment and achieves an annual return rate of 5%, the \$720,000 capital will grow into \$1.34 million. Some wage earners may be aware of this straightforward concept, but not all of them understand or get the hang of it. Since MPF concerns wage earners from all walks of life, it is even more indispensable for MPFA to convey the concept of "snowball effect" to them.

There is one thing that keeps me wondering. When I prepared for this debate, I had to look for information on MPF returns disseminated by a private institution—I guess the Secretary for Financial Services and the Treasury knows which institution I am referring to—I keep wondering why those information was not published by MPFA, why I cannot find a single Fund Fact Sheet of a trustee—and it is even harder to find the performance of different funds of a trustee—since a private institution considers the information disclosable, why can MPFA not be more proactive in conveying it to the public in a positive manner? I advise MPFA to follow the example of the Consumer Council to disseminate information regularly and let the public grasp more accurate information on the performance of MPF.

President, I so submit.

MR BENSON LUK (in Cantonese): President, first of all, I would like to thank Dr Junius HO for moving the motion “Revitalizing the Mandatory Provident Fund” today. To begin with, let us first look into the meaning of “revitalization”. “Revitalization” is basically defined as follows: When something can no longer fully perform its original functions, rectification will be required to, through various ways, add extra values to it and enable it to generate new gains. On this account, I hope the Mandatory Provident Fund (“MPF”) can be revitalized, instead of being conserved or even shelved in a museum.

MPF has been in operation for 23 years since 2000. Although the rate of return is about 3.6%, it is still higher than the rise in Consumer Price Index over the same period and outperforms inflation. However, when it comes to earnings, I believe wage earners ranging from the general to the senior management level will comment “barely satisfactory”. Hence, I believe one of the major reasons for us to debate on revitalizing MPF today is that MPF may fall short of giving full play to its function of retirement protection.

The Actuarial Society of Hong Kong released in late 2020 a study report on MPF Market Size Projections 2020-2040, which makes the following projection: Taking the MPF account of a young wage earner aged 20 as an example, with an average combined contribution by an employee and an employer of around \$1,700 per month and an average investment return of 4%, he will get \$2.5 million by the age of 65. For a 65-year-old retiree—calculated by an average life expectancy in

Hong Kong of around 85 years—\$2.5 million will be spread out to around \$10,000 per month for the next 20 years of retirement. For someone who has already been living in a subsidized flat or has achieved home ownership, \$10,000 is surely good enough to meet daily expenses. President, but for those who are not eligible to apply for subsidized housing and cannot afford a down payment to buy flats, \$10,000 is indeed not quite enough to cover rents, meals and medical expenses of an elderly, let alone spending it on having dim sum with their elderly friends. However, this is not the kind of retirement protection we have in mind. I wonder if the Government knows what our young people are thinking. In fact, they are far-sighted and do take heed of big issues, such as the struggles after retirement and, even more pressing, the difficulties in getting a flat.

I have been told by many young people that they are often perceived by adults to be simply wanting to buy flats, get married or acquire their own dwellings. However, quite a number of them—of course, I am not referring to the young people whom are said to be planning on emigration, but those who wish to take root in and contribute to Hong Kong even after a decade—are worried if they still cannot afford a down payment and get on the property ladder, then after a few decades, their MPF will not be able to cover their rents after retirement and at the same time support their living at old age.

Many colleagues mentioned the Central Provident Fund Scheme in Singapore today, which is worthwhile for us to learn from. The Scheme was rolled out in Singapore as early as in 1955, but due to the discontent with the low rate of return in society, people have been allowed since the 1980s to use the fund flexibly, such as for home purchase, insurance and, as mentioned by some colleagues earlier, healthcare and education of children. In this way, people can use their own money with great flexibility and everyone benefits from it.

Therefore, the young people asked me to bring forward the following suggestions directly to the Government: Can the Administration conduct a legislative amendment exercise on MPF, allowing people to mortgage their MPF to banks as part of the down payment? On reselling the property, a land premium can be charged just like the Home Ownership Scheme. Hence, I urge the Government to give a full and detailed account to the public: What is the cost incurred if such a policy is to be put in place? What are the risks? Do not simply tell the people that everything is off the table.

Some may think the Central Provident Fund in Singapore cannot be mentioned in the same breath with MPF in Hong Kong because of the higher combined contribution rate of the former. However, as the subject of our debate today is “Revitalizing the Mandatory Provident Fund” with the aim of utilizing the resources, I hope the Government can come up with a constructive response.

Many young people have told me what they need is simply to settle a down payment. Can we give them a helping hand? Thank you, President. I so submit.

MR ROBERT LEE (in Cantonese): Thank you, President. Let me first declare my interest. I am engaged in work related to the financial services industry. Regarding the motion “Revitalizing the Mandatory Provident Fund” moved by Dr Junius HO, I agree that the flexibility of MPF should be enhanced, and the direct use of part of the Mandatory Provident Fund (“MPF”) for urgent medical needs can also be considered. This is what I agree upon. However, I have reservations about the accuracy of some figures cited in the motion. As for the direct use MPF to take out medical insurance, I think we should look into greater detail before implementation.

I believe there is room for improvement regarding the operation of MPF. I have three following suggestions: first, providing a wider choice of investment products; second, increasing participation of the financial services sector; and third, lowering fees to increase investment returns.

First, providing a wider choice of investment products. I am glad to see that the Legislative Council has recently approved legislative amendments to facilitate MPF investment in bonds issued by the Central People’s Government, the People’s Bank of China and policy banks in the Mainland, providing more diversified and stable options for MPF investment. However, at present, the number of funds and service providers available for MPF investment is still limited. When we look at the global arena, such as the Individual Retirement Account (“IRA”) System in the United States (“US”), general brokerage firms are allowed to invest directly in stocks, exchange-traded funds (“ETFs”) and bonds, as well as a wide range of other products.

Second, the Mandatory Provident Fund Schemes Authority should encourage and allow more financial intermediaries to provide MPF services and products. I believe service providers will offer better services and more

competitive prices under competition. It can also create more room for the industry to develop and survive. Whereas contributors have more choices, financial intermediaries will be able to transform from conventional business to financial management.

Third, lowering fees to increase investment returns. As far as I know, the Fund Expense Ratio (“FER”) of MPF is currently 1.39% on average, mainly attributed to high administrative fees. I know that great effort has been made to reduce relevant fees gradually in recent years, but it is still on the high side compared with ETFs listed in US. A case in point is some ETFs that tracks the Standard and Poor’s 500 Stock Market Index, which charge a fee of 3 to 9 basis points (bps).

Therefore, I hope that with the full implementation of the eMPF Platform in 2025, administration fees of MPF can be significantly reduced and FER can also be gradually lowered, thus deriving higher returns for MPF investment.

President, I so submit.

MR TONY TSE (in Cantonese): President, most members of the public, including myself, feel discontented with the Mandatory Provident Fund (“MPF”) System for its high fees, low transparency and poor rate of return. It was reported in the news earlier that all wage earners suffered losses again in their MPF accounts, which is heartrending.

However, our G19 colleague, Mr CHAN Kin-por who represents the insurance sector, has kept saying that we are mistaken and stressed that the average rate of return of MPF actually “outpaces” inflation. He has said that the funds losing money are just the minority and the poor return is mainly because some contributors do not choose wisely and do not bother to manage the funds. However, the fact is that many wage earners do not know how to choose funds and take no time to manage them. They may think since they have paid for the fund managers to take care of it, when money is lost due to poor management, why is no one held responsible to compensate them for the losses?

The Government and the Mandatory Provident Fund Schemes Authority claim that numerous measures have been introduced in recent years to reduce the administration and management fees of MPF, enhance transparency and provide

more choices to contributors. After the launch of the eMPF Platform, wage earners will be able to manage their MPF investments more easily, quickly and cheaply. However, the Platform will not be in place until 2025, which will be a quarter of a century after MPF System was implemented in 2000. How many quarters of a century does a wage earner have throughout his working life?

As for Dr Junius HO's motion, he suggested that the Government should revitalize the MPF scheme by allowing wage earners to withdraw MPF early for taking out medical insurance, so as to strengthen health protection for them and ease the pressure on the public healthcare system. He has a good intention. However, the healthcare system in Hong Kong has in fact been plagued with many problems, such as the serious imbalance between the public and private sectors, causing long waiting time for public healthcare services and almost overloads public expenditure on healthcare. However, will it be an effective solution by allowing the public to use their MPF to take out medical insurance?

President, similar to the imbalance between supply and demand in other contexts, in order to address the imbalance between the public and private healthcare sectors in Hong Kong, the first and foremost task is to increase the supply, that is healthcare manpower, by adopting a multi-pronged approach, which include training local talents, admitting talents from outside Hong Kong, attracting returnee talents, and mainstreaming and publicizing treatment with Chinese medicine. In addition, we should strengthen primary medical and health services to prevent people's minor illnesses from turning into major ones, so as to reduce the need for hospitalization; we should build a healthy city practically, encourage people to pay attention to their diet, exercise more and have regular health check to nip illnesses in the bud. Even if it is feasible to use MPF to take out medical insurance, it cannot get to the root of the problems in Hong Kong's healthcare system.

In addition, medical expenses are only part of many living expenses after retirement. Housing expenses are also significant. When Members previously suggested revitalizing MPF for helping people to buy flats, I opposed to it as the problem of supply-demand imbalance would remain unresolved. Some retired elderly treasure care-and-attention places more than hospital beds and serious supply-demand imbalance exists in the former. However, expenses on care-and-attention places are usually not covered by medical insurance.

Therefore, allowing the withdrawal of MPF solely for taking out medical insurance is not comprehensive enough, but if withdrawal is allowed for every purpose, the grass roots will run out of their MPF very soon and may need to rely on their children or the Government when they actually retire. As a result, MPF will fail in its objective as part of the retirement protection system. For this reason, I do not support the motion.

President, I so submit.

MS LAM SO-WAI (in Cantonese): President, I believe many wage earners frown at the mention of the Mandatory Provident Fund (“MPF”). Members with a good memory will remember that former Financial Secretary Mr John TSANG’s proposal to inject \$6,000 into MPF accounts in 2011 drew widespread criticism, and he eventually succumbed to the pressure and switched to cash handout. This shows that MPF has failed to win public support. The MPF System absolutely needs revitalization after almost 22 years of implementation. In the following, I will focus on five major problems with MPF and put forward suggestions for reform.

First, exorbitant fees. It is well known that MPF charges high fees, which in effect eats away the hard-earned money of the people. In particular, fund companies charge management fees regardless of the performance of the funds, and are thus assured of profits. As at late May this year, the total MPF assets roughly amounted to over \$1 trillion. Given the enormous amount, it appears even more unreasonable to charge exorbitant management fees.

Second, lack of guaranteed returns. For example, between January and May this year, each MPF scheme member lost \$26,638 on average, indicating the abnormally volatile investment returns on MPF. We may go back to the deliberations on the relevant legislation. Despite the introduction of capital preservation funds and guaranteed funds, there is in fact no guarantee that they can catch up with inflation, and a significant loss may be recorded in wage earners’ MPF accounts at the time of retirement.

Third, rigid withdrawal rules. While MPF is intended for retirement savings, people need money for different purposes at different stages of their lives. They may wish to withdraw MPF benefits early to meet urgent financial needs arising from, say, critical illness or emergency situations. However, at present, early withdrawal of MPF benefits is not permitted except under extreme circumstances such as terminal illness or total incapacity.

Fourth, inadequate retirement protection. Despite the abolition of the MPF offsetting arrangement, it is difficult for wage earners to live on MPF alone after retirement. According to the statistical analysis of accrued benefits for 2019 published by the Mandatory Provident Fund Schemes Authority in September 2020, 90 000 employees made contributions continuously in the past, but ended up with just around \$420,000 in accrued benefits on average. Even if they tighten their belt, spending only \$3,500 each month after retirement, the sum can only last for 10 years. The retirement protection for them is grossly insufficient.

Fifth, difficulties in managing the accounts. Despite making monthly MPF contributions, quite a lot of wage earners do not fully understand the system. For example, while there are now over 400 funds available, it is difficult for the public to clearly compare the pros and cons of investing in various funds. Moreover, the annual benefit statements issued by trustees to their scheme members often fail to show the actual fees and charges in respect of the account or the details of the returns, and each wage earner manages two or three MPF accounts on average. All these have made the people confused.

While I have said so much about the shortcomings with MPF, the Government has in fact introduced enhancement measures in recent years, such as abolishing the offsetting arrangement, introducing “MPF semi-portability” and tax deductible MPF voluntary contributions, launching the Default Investment Strategy, and developing the eMPF Platform. However, such efforts are still not enough and the Government has to continue to reform MPF.

Firstly, the governments of many places have imposed a cap on pension fund fees, for example, 0.4% in Australia and 0.5% in South Korea. The Government may draw reference from the relevant practices and set a cap on MPF fees. In fact, there is a precedent for capping MPF fees—the Default Investment Strategy. Therefore, in theory, it is absolutely feasible to impose a cap on the fees.

Secondly, the Government has rolled out inflation-linked products such as iBonds, green bonds and Silver Bonds for subscription by members of the public in recent years, which has been met with an overwhelming response. The authorities may follow such initiatives and introduce MPF products that are linked to inflation or the Exchange Fund returns, thereby providing more choices for wage earners seeking stable returns.

Lastly, President, we have different financial needs at different stages of our lives, so it is definitely worth exploring an expansion of the scope of MPF uses. In the future, a mechanism should be set up for allowing MPF benefits to be used for medical insurance, first-time home purchase, treatment of critical illness, etc.

In the past, the Hong Kong Government placed excessive faith in “big market and small government”. Even the management of MPF, on which the retirement protection for wage earners is hinged, has been left to the market, resulting in the consequences today. It is better late than never. The Government should reform MPF expeditiously, and strengthen the monitoring of the system, thereby ensuring adequate retirement protection for wage earners.

President, I so submit.

MR NGAN MAN-YU (in Cantonese): President, the Democratic Alliance for the Betterment and Progress of Hong Kong (“DAB”) has all along stressed that the efforts to improve the Mandatory Provident Fund (“MPF”) System do not finish with the passage of a bill to abolish the MPF offsetting arrangement. Quite the contrary, this is the start of a new chapter in reforming the social security system in Hong Kong. Therefore, I am very grateful to Dr Junius HO for initiating the discussion on the revitalization of MPF in the Council again. I hope that the Government will take this opportunity to listen to more public opinion and fully review the longstanding problems and shortcomings with the system, with a view to achieving good governance and enabling members of the public to enjoy a more fulfilling retirement.

The MPF System, which is an important pillar of the retirement protection framework in Hong Kong, is set up to encourage employees to save up for retirement, thereby giving themselves certain protection. Thus, I believe that in determining the scope of MPF uses, be it medical insurance or first-time home purchase, the major consideration is whether these suggested purposes are related to retirement protection.

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

Since such products as medical insurance are not designed to address retirement needs, we are very worried that if members of the public are allowed to use MPF to take out medical insurance, the retirement protection for grass-roots employees will very likely be undermined. That is why DAB has reservations about this suggestion. However, given that the public healthcare system in Hong Kong has been overburdened for a prolonged period of time, I believe Members will have no objection to medical insurance, which aims to optimize the use of private healthcare resources to alleviate the burden on the public healthcare system. But the key issue is what policy initiatives should be implemented. In my view, it is more direct to expand the coverage of healthcare vouchers by issuing such vouchers for children or even families than taking money from the retirement protection system for employees.

Apart from healthcare, housing may be the biggest concern of employees. They certainly have housing needs after retirement, no matter whether they rent or own a property. Saving up for home ownership will in effect reduce their retirement expenses. If support can be provided to enable them to pay off the mortgage on their self-occupied properties early, this will in a way help them build up retirement savings. Therefore, I hope that the Government may consider allowing members of the public to partially withdraw MPF benefits for first-time home purchase, with a view to facilitating early home ownership for young people.

Lastly, I would like to talk about the positioning of MPF in the retirement protection framework. The entire MPF System is based on the “user pays” principle, which the Government has embraced for years. People have to make retirement plans according to their own assets, MPF contributions and income, thereby striving to sustain for themselves a satisfactory quality of living after retirement. As a result, many members of the labour force will have some assets after retirement through accumulation of MPF benefits. Yet, it is precisely these assets that very likely render them ineligible for the Old Age Living Allowance (“OALA”), thus undermining their retirement protection. There have been views in the community that the Administration may consider dispensing with the relevant formula. By the same token, while the Government keeps encouraging members of the public to convert their MPF assets into an annuity, retired elderly persons may in fact become ineligible for OALA because their monthly annuity payment is likely to exceed the income limit.

To a certain extent, the Government may have shifted its responsibility to provide retirement protection onto members of the public through this deliberate arrangement. However, we may put ourselves into the shoes of the people, especially the grass roots. It is definitely possible that their retirement plans will be spoiled if they make a wrong decision based on a wrong calculation. Therefore, I think the Government should actively study the positioning of MPF in the retirement protection framework, and sort out the relation between MPF, annuity and OALA, with a view to not only revitalizing the MPF System, but also enhancing the retirement protection framework in Hong Kong.

Deputy President, I so submit.

MR KWOK WAI-KEUNG (in Cantonese): Thank you, Deputy President. I speak in support of Mr TANG Ka-piu's amendment.

We cannot accept any early withdrawal of the Mandatory Provident Fund ("MPF") benefits for purposes other than retirement protection. Of course, people have been very concerned about the performance of MPF in recent years because losses have been recorded again. However, as a number of colleagues have just mentioned, the MPF System has actually recorded an overall profit on average since its inception in 2000. Therefore, we cannot criticize the MPF System after making a sweeping generalization simply based on its performance this year or in recent years.

In fact, it cannot be denied that despite the ample room for improvement, MPF is precisely the strongest and the most important pillar of the five existing retirement protection pillars. We should figure out ways to strengthen and enhance it rather than knocking it down. This is also the objective of some of the suggestions set out in Mr TANG Ka-piu's amendment and the bill relating to the abolition of the MPF offsetting arrangement passed in this Council last week. That is, to reinforce this pillar. In future, The Hong Kong Federation of Trade Unions will continue to work hard and devote our efforts to pursue a series of suggestions, including lowering the fees charged by sponsors of MPF schemes so as to reduce the overall cost, and setting up a public investment fund with a guaranteed rate of return linked to inflation rates.

The problem is what will happen if the MPF System collapses. Deputy President, as the saying goes, “one failing to consider the whole situation is incapable of considering a single aspect.” Improving the retirement protection framework is an important means to cope with the ageing population and alleviate the elderly poverty in Hong Kong. If MPF benefits can be used easily, other pillars will collapse eventually, leaving us with no pillar. As we all know, in the absence of any pillar, the Government would incur enormous public welfare expenditure. At that time, the overall financial pressure would be shared by the entire community, but the problems would actually remain unsolved.

Moreover, Deputy President, in a recent media survey on the provision of financial support for parents, half of the respondents considered that their parents had retired too soon, and 60% of the respondents opined that providing financial support for parents would result in a lower living standard for themselves and less savings earmarked for their own children. The survey results have confirmed an old saying: “The father supports his son, and the latter in turn supports his own son.” Then, who supports the elderly? To be honest, the most practicable approach is to rely on ourselves, and MPF is the most important pillar that enables us to “rely on ourselves”. In the Chinese culture, providing financial support for parents is a natural obligation as well as a key manifestation of filial piety. But as a matter of fact, both a low birth rate and an ageing population have increased people’s pressure in supporting their parents, which is plain for us to see. We cannot accuse these people of being unfilial because they are in fact under considerable pressure in Hong Kong, a city characterized by consumerism, high operating costs and a high cost-of-living index.

Some other Members often cite the example of Singapore. I actually do not think that the two cities are comparable. I will explain my views in a few words. First, there is a huge gap between the contribution rates. Besides, due to the provision of Housing and Development Board flats, property prices are under control and speculative surges do not occur in Singapore. In view of these two differences, the two places are not directly comparable. Moreover, we are worried that if members of the public are allowed to withdraw MPF benefits for repaying loans, the children will refuse to support the parents, which happens nowadays after many parents have transferred their pension to their children. Members should also pay attention to this situation.

I so submit.

MRS REGINA IP (in Cantonese): Thank you, Deputy President. I also thank Dr Junius HO for proposing the motion today, which gives us another chance to discuss the merits and demerits of the Mandatory Provident Fund (“MPF”). Despite the good intention of Dr HO and the various Members who have proposed the amendments, I am afraid it would be difficult to put their suggestions into implementation. As a colleague has just pointed out, the long title of the Mandatory Provident Fund Schemes Ordinance (“the Ordinance”) clearly states that MPF is intended for retirement protection. That is to say, it is different from the provident fund in Singapore, which can be used for medical or housing purposes. Therefore, it is difficult to take forward many of the revitalization suggestions unless the legislation is amended.

Let us cast our minds back to the establishment of the MPF System. Its establishment actually aroused controversy before the return of sovereignty. At that time, the British Hong Kong Government had two options: A provident fund like the one in Singapore or MPF. If the former was set up, a large amount of contributions might be directly managed by the Government. The then Governor opted for MPF for some reasons, which could be the British Hong Kong Government’s faith in “small government and big market”, as pointed out by a colleague just now, or its reluctance to hold so much money, take risks or entertain the possibility of handing over the money to Beijing thereafter.

The structure of the MPF System is very complicated in that there are many registered schemes. According to my understanding, one of the intentions of the British Hong Kong Government was to revitalize and stimulate the development of the financial market by entrusting a large amount of contributions to the investment sector for management. As a number of Members have indicated, the establishment of the MPF System has contributed to the vibrant development of the wealth management business, fund management industry and financial industry in Hong Kong in recent years.

The Government also considered two approaches to the MPF System. One was defined contribution, which has been implemented in Hong Kong, that is, prescribing a contribution rate of 5% each by employers and employees. The other approach was defined benefit, which means an employee will receive a fixed amount at the time of retirement regardless of his contributions or benefit losses caused by market fluctuations. The implementation is very hard because it will be difficult for the Government to make up for the losses caused by heightened market volatility. Thus, the British Hong Kong Government opted for MPF with a view to revitalizing the financial market. It also adopted defined contribution.

MPF has drawn widespread criticism. The causes of the five major problems set out by Ms LAM So-wai just now can be summarized as too little too late. Given its late establishment and the low contribution rate, it is incomparable with the system in Singapore. As some colleagues have remarked just now, in the case of employees below the age of 55 in Singapore, the combined rate of contribution by an employer and an employee is 37%.

The then Government considered that both employers and employees in Hong Kong had grown accustomed to making their own decisions to invest or use the money they earned and keeping more disposable funds in their own pockets rather than contributing so much money to their MPF accounts. Back then, there was even intense controversy over the contribution rate of 5% each by employers and employees. I remember that my former colleague Mr LAM Woon-kwong, who was responsible for taking forward the MPF proposal, overcame so many difficulties and obstacles before persuading employers and employees to agree to the enactment of the Ordinance.

Therefore, despite the good intention of the various Members to put forward the revitalization suggestions, it is difficult to put them into implementation under the existing legislation. In reality, according to the figures provided by the Mandatory Provident Fund Schemes Authority, the average MPF benefits held by each Hong Kong employee amounted to just \$217,000 as at December 2019. In view of the meagre amount and any possible losses that may arise from considerable fluctuations in the financial market, how much of the sum can be used to take out medical insurance, purchase a property or pay children's education expenses? Thus, even though the existing system is not quite satisfactory, I think there is actually limited room for changes for the time being.

I so submit.

MR SHIU KA-FAI (in Cantonese): Thank you, Deputy President. First of all, I thank Dr Junius HO for proposing the motion on “Revitalizing the Mandatory Provident Fund”. I believe Dr HO has two thoughts. First, he considers that the current investment returns on the Mandatory Provident Fund (“MPF”) are unsatisfactory, and this view is shared by many people. Second, he is worried that the healthcare system in Hong Kong fails to provide sufficient protection for Hong Kong citizens. If members of the public can take out insurance with private insurance companies, they will have better health protection and lead a better life in the future. Therefore, Dr HO hopes that MPF can be revitalized.

Deputy President, what I wish to say is that if we had not passed a bill to abolish the MPF offsetting arrangement last week, I would actually have given more thought to this idea. However, it has become a bit difficult to put it into implementation after the passage of the bill. Why is that?

Members may remember that I gave an example last week. Assuming colleagues A and B each have a salary of \$22,500, if they start working at the age of 20, they will have worked for 20 years by the age of 40, and their employer will have contributed \$270,000 for each of them. That is to say, each of them will have \$270,000 in their MPF accounts. If A continues to work in the company, he will have worked for 45 years by the age of 65, and the total sum should have grown to \$607,500. In this example, after working for 20 years, A and B will have \$270,000 in their respective MPF accounts. If B is dismissed at that time, the \$270,000 in his account will be offset by the employer, and the employer will in reality pay him \$300,000 in cash. In other words, B will have \$300,000 in cash. If B finds another job with the same salary about a month later, his life savings will roughly amount to over \$600,000 at the time of retirement. As he receives \$300,000 at the time of dismissal while A has \$270,000 in the account, he has \$30,000 more than A.

Actually, what is the difference between these two persons? Why do some people often say that such people are miserable and that they do not know where their MPF contributions are under the offsetting arrangement? Right, tens of billions of dollars in MPF accounts will be offset, but the money will be paid to Hong Kong citizens and kept in their pockets. In this example, the difference between B and A is that actually B has \$300,000 cash in his pocket, and if he continues to work, his savings thereafter will be kept in his MPF account.

With this \$300,000 cash in his hands, do we agree to let him choose freely whether to take out insurance or even, as suggested in some amendments today, purchase a property or use it for other purposes? Do we agree to let him do so? From the voting results last week, we know that 72 Members do not agree because they want employees to withdraw MPF benefits only after reaching the age of 65 in order to give them more retirement protection. Therefore, the results show that Members do not agree to let him do so.

In fact, I also agree that employees should not withdraw their MPF benefits until they retire at the age of 65. However, Deputy President, on the last occasion,

I opposed the bill because the Government was unwilling to lower the maximum amounts of severance payment and long service payment from \$390,000, and the prevailing situation was so bad. Yet, I actually find it a bit weird that last week, so many colleagues opposed the offsetting arrangement under such macro environment and wanted Hong Kong citizens and wage earners to withdraw MPF benefits after reaching the age of 65, but today they wish to allow employees to withdraw their benefits early for medical, housing or other purposes. Thus, following the same general principle, I cannot agree with the suggestion.

As for Mr TANG Ka-piu's amendment, its general direction is very close to my ideas, except for the first two suggestions about MPF. However, I need not say anything as the relevant bill has been passed. One of his suggestions is introducing a guaranteed rate of return, which sounds quite good. In other words, it is certain that MPF funds will generate profits and will not suffer any loss in the future no matter what. This is of course a good thing, and sounds quite good, but is it practicable? Given that economy has ups and downs, and as Mrs IP has just said, the financial market is now volatile, who can make such guarantees to you? If this suggestion is put into implementation, will the Government have to absorb the losses in the end? He has even suggested setting the rate as the inflation rate plus 1%, but such rates are hard to predict. Banks offered very high interest rates a few decades ago, but they adopted zero interest rates or even negative interest rates a few years ago.

Under such circumstances, will Members agree with this suggestion? A guaranteed rate of return sounds quite good, but I believe there are difficulties in actually putting it into implementation, especially having the Government absorb the losses. Therefore, for this reason, Deputy President, we cannot agree with the suggestion.

Lastly, Dr Junius HO's well-intentioned motion is aimed to help Hong Kong citizens. While the Liberal Party and I may not support it, Dr HO knows that he and I share the same mind. We know this very well.

MR MA FUNG-KWOK (in Cantonese): Deputy President, I speak to express some views regarding Dr Junius HO's motion on "Revitalizing the Mandatory Provident Fund".

First of all, I would like to express my opinions on the Mandatory Provident Fund (“MPF”) schemes. MPF is a mandatory long-term savings programme established through legislative means to help working persons prepare for their future retirement. Despite the authorities’ sustained efforts in adopting enhancement measures over the years, MPF is still criticized for its high fees and low returns, and many wage earners are unable to accumulate enough savings for retirement. Therefore, I always think that the Government should play a more active role in the management of the system. For example, it may draw reference from the practice of the Singapore Government and set up an investment company responsible for management and investment matters with a view to reducing costs and enhancing effectiveness. Besides, it may introduce some measures such as offering a guaranteed minimum rate of return or taking a more aggressive approach and injecting funds when it is in a strong fiscal position, thereby providing better support for the majority of the retired population.

I will now go back to today’s motion. Dr HO’s suggestion to revitalize the MPF System is actually not aimed to change its purpose of retirement protection, but enable wage earners to use the funds for other purposes. In fact, there are similar voices in the community demanding to use the funds for home ownership, children’s education expenses, healthcare, etc.

Why does this happen? The authorities have to acknowledge an objective fact that some scheme members see some flaws in the existing system, as a consequence of which it is not up to them but others to decide how their hard-earned money should be used.

Some people in the business sector say that wage earners can yield good returns so long as they have done their homework and chosen funds suitable for themselves. However, this precisely shows the problem with the entire system. Despite having introduced the existing system, the Government puts an emphasis on personal responsibility. To put it nicely, scheme members are given choices and autonomy. But in reality, ordinary people who lack financial knowledge are forced to participate in investment activities and make investment decisions.

Most low-income earners in Hong Kong take a conservative approach due to insufficient knowledge and time to manage their funds. According to the MPF investment performance figures for 2020 published by the Mandatory Provident Fund Schemes Authority, the annualized rate of return of the Conservative Funds, net of fees and charges, was only 0.7%. Even though employees and employers

make contributions every month and intermediaries have been entrusted to make investment, scheme members can only get such meagre returns. As a result, they cannot help feeling disappointed and think that their assets are being eroded by inflation. They naturally hope to spend the contributions on something that can produce discernible results. Thus, in my view, it is worth exploring the suggestion of allowing scheme members to use MPF to take out medical insurance or pay specific healthcare expenses.

Firstly, in view of the scarce public healthcare resources, the waiting times for first-time specialist outpatient services and surgery are increasing. Although private healthcare institutions have spare resources, their fees are so exorbitant that patients with a low income can hardly afford and can only helplessly put up with a long wait for public healthcare services. It is not difficult to imagine that if wage earners have to go to work while being ill, the productivity will definitely be compromised. If their conditions worsen due to delayed treatment, not only will the treatment costs increase, but the patients may not be able to work normally again, resulting in less income for them and probably additional social costs. That is why I do not think that using the funds to take out medical insurance runs counter to the original purpose of retirement preparation.

Secondly, some people do not receive satisfactory MPF returns, and they may even suffer a loss when inflation is taken into account. In that case, it may be more beneficial to them if their monthly MPF contributions are used to take out medical insurance.

In the past, some people were worried that given the uncertainty about private medical charges in Hong Kong as well as the high administration fees, high contribution rates and claim risks of health insurance products, if people were allowed to use MPF contributions to buy such products, they would face additional risks and might even fall between two stools. However, since the Food and Health Bureau launched the Voluntary Health Insurance Scheme in 2019, some new products in the market have addressed some of these issues and provided better alternatives. While there is still much room for improvement that we need to explore together, such as whether to set up a High Risk Pool, I reckon that, in view of the current circumstances, the suggestion set out in the original motion is very worthy of consideration.

Deputy President, I so submit.

IR DR LO WAI-KWOK (in Cantonese): Deputy President, first of all, I thank Dr Junius HO for moving the well-intentioned original motion to urge the Government to revitalize the Mandatory Provident Fund (“MPF”) by allowing scheme members more flexibility and autonomy in using MPF at an earlier time.

Deputy President, the establishment of the MPF System in 2000 aims to enable members of the public to accumulate savings through contributions from both employees and employers and receive returns on fund investment, thus providing some retirement protection for them. However, I have to point out once again that back then it was our society’s consensus to implement a central provident fund, but the Government did not take this constructive idea on board and defiantly insisted on introducing MPF. As a result, it continued to adopt the offsetting arrangement and allow employers to use MPF benefits to offset severance payment or long service payment, with a view to winning the support of the business sector and breaking our society’s consensus that a central provident fund should be set up. For this reason, Members will not find it difficult to understand why the commercial and industrial sectors are so deeply upset about the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 (“the Bill”) tabled by the Government in this Council last week. That is because by abolishing the offsetting arrangement, the Government has gone back on the promise it made to these sectors back then and broken the consensus between them. Besides, it has failed to allay the concerns of these sectors. Therefore, despite the passage of the Bill last week, the Business and Professionals Alliance for Hong Kong and I do not agree that the Government should “expeditiously [implement] the abolition of MPF offsetting mechanism”, as suggested in Mr TANG Ka-piu’s amendment to Dr Junius HO’s motion.

The Government’s optimistic calculation back then was probably that the MPF benefits accrued over the years would be sufficient to offset long service payment. However, this did not come true. Since the establishment of MPF, the world economy has been in a low interest rate cycle. As we can see, the hard-earned money contributed by employers and employees have failed to generate the expected returns or even catch up with inflation in some years. Worse still, negative returns have been recorded. The only protection it offers is an attractive income for fund managers. This is what upsets our society the most.

That is why when I spoke during the Third Reading of the Bill relating to the abolition of the offsetting arrangement last week, I once again earnestly suggested that the Government allocate some \$30 billion to set up a central provident fund

rather than using the sum to provide assistance for the commercial and industrial sectors after the abolition. I believe this suggestion would be well received by employers and employees. Quite a lot of young engineers working in the Government have told me that being civil servants employed under the new entry system, i.e. on contract terms, they, unlike those who are employed under the old scheme, are not entitled to pension. They are worried about their retirement plans and dissatisfied with the low returns on MPF. They very much hope that something like a central provident fund will be set up.

Therefore, in my view, the Administration should not only expedite the development of the eMPF Platform to enhance the operational efficiency and cost-effectiveness of the MPF System, thereby reducing various administration fees, but also act fast and consider introducing a central provident fund in the long run by drawing reference from the experience of other economies. It should also commit itself to managing the fund, with a view to offering better retirement protection for members of the public.

Deputy President, I so submit.

MR KINGSLEY WONG (in Cantonese): Deputy President, first of all, I thank Dr Junius HO for proposing this significant motion which concerns the immediate interests of 3 million wage earners, thus enabling Members to have an in-depth discussion about the Mandatory Provident Fund (“MPF”).

As stated in the official website of the Mandatory Provident Fund Schemes Authority (“MPFA”), “[t]he MPF System is set up to help Hong Kong’s workforce save up for their retirement. It is an important part of Hong Kong’s retirement protection framework”. In Singapore, our neighbour, part of the provident fund is automatically used for medical insurance and healthcare expenses. This arrangement is possible in Singapore because of a high provident fund contribution rate, which Members have just mentioned. The combined rate of contribution by an employer and an employee reaches 37%. In contrast, under the MPF System in Hong Kong, an employer and an employee are each required to contribute an amount equal to just 5% of the relevant income, making a total of 10%. Moreover, mandatory contributions are subject to maximum and minimum levels. Employees earning less than \$7,100 a month are not required to make contributions. If the monthly income of an employee exceeds \$30,000, the contributions by the employee and the employer are both capped at \$1,500,

meaning a maximum amount of \$3,000 each month. Given such a low MPF contribution rate in Hong Kong, how on earth can part of the benefits be withdrawn for taking out medical insurance? If this is done, how much will be left at the time of retirement?

There are the Consumer Price Indices (A), (B) and (C), and retirement plans offered by financial institutions cater to both modest and affluent lifestyles. If the cap on MPF contributions is adjusted to allow financially capable employees to make more contributions, they will enjoy greater protection after retirement. However, the current minimum and maximum levels of relevant income for MPF contributions have not been adjusted for eight years. Upon a review in 2018, MPFA proposed that the minimum and maximum levels of the relevant income be adjusted to \$8,250 and \$48,000 respectively according to the mechanism, but the proposal was not taken on board in the end. Another review will be conducted this year. I hope that the SAR Government will fully implement the regular review and adjustment mechanism and raise the contribution rate, so that financially capable employees can make more contributions and have more savings after retirement. As we all know, the MPF contribution rate in Hong Kong is very low, and it is very hard to raise it. Nevertheless, there is a mechanism in place for adjusting the maximum and minimum levels of contributions every four years. I hope that the SAR Government will consider fully implementing this adjustment mechanism.

On the other hand, employees with a monthly income of less than \$7,100 are not required to make MPF contributions. The year before last, the SAR Government undertook that it would make MPF contributions for low-income workers from 2024. At that time, the Government expected that this would benefit around 200 000 wage earners, but it is now 2022 and the Government has not announced the specific measures and implementation timetable yet. I hope that the new-term SAR Government will honour the promise made by the current-term Government. It should mean what it said, and expeditiously study the relevant measures with a view to improving the MPF System.

As stated in Dr Junius HO's motion, MPF assets have in fact been eroded by inflation, and the return rates have been far from satisfactory over the years, almost exhausting MPF's real purchasing power after employees' retirement. Thus, the most direct solution is to enable MPF returns to beat inflation. The rate of return on MPF should be linked, but not identical, to the inflation rate, because a return rate identical to the inflation rate is a guarantee of no profit. That is why The

Hong Kong Federation of Trade Unions (“HKFTU”) suggests a guaranteed rate of return of the inflation rate plus 1%. That is to say, the Government should commit itself to offering an additional MPF scheme with a guaranteed rate of return which is higher than the inflation rate, with a view to maintaining and increasing the value of MPF assets of wage earners.

Mr SHIU Ka-fai has just expressed doubt over Mr TANG Ka-piu’s amendment. However, in my view, the finance officials in the HKSAR Government are highly capable of managing finance and driving value growth. We can see that the assets of the Exchange Fund managed by the Government have amounted to over \$4 trillion. Its annualized rate of return over the past 20 years or so stands at 3.9%, while the inflation rate over the same period is 1.5%, giving a real rate of return of 2.4%. Therefore, it is entirely feasible for the Government to launch an MPF scheme that offers a guaranteed rate of return of the inflation rate plus 1%, as suggested by Mr TANG Ka-piu or HKFTU. I believe the public officers and finance officials in the SAR Government are fully competent in handling the relevant matters.

With these remarks, Deputy President, I support Mr TANG Ka-piu’s amendment. Thank you.

IR LEE CHUN-KEUNG (in Cantonese): Thank you, Deputy President. I declare that I am a 45-year-old wage earner. Back in 2000, when I learnt that the Government would set up the Mandatory Provident Fund (“MPF”), I was indeed very excited because at that time I thought I could create an investment portfolio of my own choice to prepare for my future retirement.

Yet, in reality, the MPF System has now been implemented for over two decades. I just did a small-scale opinion poll. When I asked the colleagues near me, I found that most of the young ones are suffering losses in MPF benefits, and some rather experienced colleagues even told me that they did not dare to check. As a matter of fact, according to the figures published by the Mandatory Provident Fund Schemes Authority, the net rate of investment return for all wage earners since 2000 is only 3.6%, failing to offset the inflation rate of over 30% since 2000.

Deputy President, this is precisely the reason why nowadays many wage earners actually no longer regard MPF as retirement protection but just a bonus. Let us take the example of a wage earner with a monthly salary of \$30,000. He

and his employer are required to each contribute \$1,500 into his MPF account every month. The Government considers his monthly income to be \$31,500. But if you ask what people think, most of them will just consider that he earns \$28,500 a month and do not regard the MPF contributions as part of his monthly salary.

Deputy President, why do wage earners disregard this \$3,000? First of all, besides criticizing the MPF System in Hong Kong for the mandatory nature of the contributions, limited choices and low returns, members of the community have over the years complained about the high fees charged by fund intermediaries. In short, they charge various fees that go by different names such as administration fee, investment management fee, trustee fee, custodian fee and sponsor fee. As they keep charging fees, the value of wage earners' investment is gradually eroded and eaten away. As a consequence, despite having invested \$100, one can only buy a product worth less than \$100.

As the saying goes, "small amounts add up to a large sum". The level of handling fees, despite having been slightly lowered recently, is still far from acceptable. Therefore, the Government should take the initiative to discuss with trust companies and require them to refrain from charging fees under different names, and further lower the handling fees or even set a cap so as to avoid the situation where fund managers get increasingly rich from MPF management fees while doing nothing, as members of the community often indicate.

Secondly, if employees are allowed to choose the funds or stocks in their investment portfolios, as I have just said, another problem will arise. If an employee goes all in and invests all his contributions in some high risk funds such as United States equity funds, Japan equity funds or even extremely high risk funds, they may think that they will make more profits in the future while neglecting the risks involved. They may end up with peanuts when they retire at the age of 65. In other words, they may lose all the MPF contributions they have saved over the years and may not have enough money for retirement.

Deputy President, as for my third point, there is a common saying that "do not let one's fertile water flow into others' field". The SAR Government may give detailed consideration to allowing wage earners to invest their MPF contributions in some local infrastructure projects such as railways, tunnels, the Airport Authority Hong Kong, the future Northern Metropolis, the Lantau Tomorrow Vision, or—let us think outside the box—even the Hong Kong Jockey Club. Furthermore, we suggest that the Government should consider allowing

members of the public to invest in some funds and bonds relating to the infrastructure projects in the Greater Bay Area (“GBA”), the Belt and Road Initiative and the national development. I am absolutely convinced that this will help boost the sense of belonging among Hong Kong citizens. In short, when these infrastructure projects in Hong Kong or GBA generate profits, members of the public will also reap the relevant dividends. As a result, they will take the initiative to understand the various aspects of the national development or even become more willing to go out shopping, use tunnels more often, and travel in public transport more often, with a view to getting better returns.

Deputy President, the Liberal Party takes the view that instead of revitalizing the MPF System, which has been implemented for over two decades, it is now time to conduct a thorough reform so as to improve the retirement protection for wage earners. We should also capitalize on the opportunities brought by the reform to enable members of the public to clearly understand the future development plans of our country and Hong Kong.

Deputy President, I so submit. Thank you.

MR PAUL TSE (in Cantonese): Deputy President, I remember that former Member Mr LEUNG Yiu-chung proposed a motion on facing up to the transport needs of people with disabilities in this Council for seven years, and a motion on the integration of persons with disabilities into the community for three years. I am afraid Dr Junius HO still has to work hard because this topic will still be discussed for quite some time.

Deputy President, as there is a significant overlap of views among various colleagues, what other arguments can I present? Deputy President, apart from an outright abolition of the Mandatory Provident Fund (“MPF”) System which I have been advocating, I may raise a few points.

President XI has used a very good metaphor. He once said that Chinese should have our own shoes. “Only the wearer knows if the shoes fit or not.” This argument is applicable in the context of both political system and retirement protection system. Members often cite the multi-pillar retirement protection framework advocated by some global organizations. What about the system in Chinese society? A colleague has just mentioned filial piety, and I believe we should not only stress filial piety, but also attach greater importance to filial piety.

Besides, Chinese society also puts emphasis on having a roof over one's head. All along, not only senior executives, but wage earners also have an aspiration to own a flat for self-occupation and another one for leasing out. Members know this very well. We Chinese people also have a saving habit and the concept of saving for a rainy day is indeed ingrained in our DNA because we have a heightened alertness to crises after living as refugees for too many years. These concepts are not found in Western society.

Of course, some people in the West such as Northern Europe are leading very happy lives. This is understandable because those places are blessed with a sound retirement protection system. Even in places with no retirement protection system implemented, people would rather indulge in food and drink before making plans. Therefore, we need to take all these factors into account in considering which “shoes” Hong Kong should put on. It appeared that in the past we did adopt any practice hailed as a success by other people. I need not repeat what a number of Members have just said about the system in Singapore, but I would like to talk about the neighbouring city of Zhuhai. Recently, its government has started allowing people to make mortgage payments and take out home renovation loans for their immediate family members. This is even permitted in the inter-provincial context. That is to say, people can use their money for different purposes, such as home purchase, outside their places of work. This is a characteristic of Chinese society and our concept of housing.

Of course, the subject of our discussion today is not housing, but healthcare. In fact, what matters the most is to create a leverage effect. I mean it is useless to store up treasures or the *Bible* on earth. It is actually meaningless if the public are not offered the best social benefits or protection at the right time. Regarding healthcare, it is certainly not true that a person may spend all his money on medical expenses, as Mr TANG Ka-piu has said, because he is entitled to insurance protection. If a person spends his money on taking out insurance in a targeted manner, he will, through the leverage effect, enjoy more protection in the event of an incident.

What else can create a leverage effect? Deputy President, education can. It is also a good thing if money is spent on education and further studies at the right time. Or, a more conservative approach is buying properties, which has just been mentioned. These can also create a leverage effect. The most important things are the availability of choices and transparency. However, Deputy President, these two things are precisely what the MPF System lacks, or even seriously lacks.

Deputy President, I do not wish to talk about issues like fund performance, fees or losses. I would like to point out that we often compare returns with inflation. Why do we not compare our judicial system and media transparency with those of North Korea or Iran, Buddy? If we are to make a comparison, MPF should be compared with the “laziest” Tracker Fund. If MPF is found to generate a lower rate of return, the comparison will be truly meaningful. Comparing it with inflation is the most conservative yet meaningless approach. Of course, if the rate of return is lower than the inflation rate, the situation is even worse and more miserable, but at the moment, we should not compare MPF with inflation.

Deputy President, the new Chief Executive and his Government may put emphasis on KPI (key performance indicators). In my view, KPIs for MPF should focus on at least three areas. First of all, given that an enormous amount of contributions is involved, how much of it has been eroded? Is it worth it when the assets amount to over \$100 billion? As for management fees, there is no transparency at all at the moment. No matter how we enquire, the authorities will not give an amount in their reply, or they may even say there is no record and they are unwilling to maintain the relevant statistics. Is it necessary to address all these issues?

My speaking time is running out. I just hope that the Public Accounts Committee can conduct a thorough investigation into the rate of return on MPF and its cost-effectiveness in order to find out whether MPF can really help members of the public attain the ultimate goal, or whether “nothing is left in MPF after 21 years”, as indicated in *Oriental Daily News*, because a large amount of contributions has been eroded during the process and the rate of return has been unsatisfactory.

Deputy President, lastly, I hope that more options will be made available to members of the public, and this system can be “offset” (*The buzzer sounded*) ...

DEPUTY PRESIDENT (in Cantonese): Mr Paul TSE, your speaking time is up.

In view of the worsening epidemic situation, I remind Members to have a mask on when speaking in the Chamber.

Does any other Member wish to speak?

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): Dr Junius HO, you may now speak on the amendments.

DR JUNIUS HO (in Cantonese): Deputy President, I have listened to the speeches of many Members. It seems that most of them do not oppose improving the Mandatory Provident Fund (“MPF”) System, but how it should be done remains to be discussed.

Today, I have proposed the motion on “Revitalizing the Mandatory Provident Fund”, which includes enhancing the MPF System and increasing its flexibility. In view of the rigid system, I suggest contributors be allowed to make their own choices, decide their own fates, and spend a small portion of their MPF benefits on nothing but saving their own lives. Nevertheless, some Members said this should not be permitted because the original purpose of MPF would be defeated. In other words, should we protect our MPF benefits or allow members of the public to enjoy quality of life and health protection by using these resources?

The MPF contributions amount to not less than \$70 billion each year, and increase year by year. I have not put down very clearly in the motion ...

DEPUTY PRESIDENT (in Cantonese): Dr Junius HO, I remind you that at this stage you should speak on the amendments proposed by the Members.

DR JUNIUS HO (in Cantonese): Mr TANG Ka-piu considers it necessary to enhance the system, but he has deleted the only suggestion set out in my motion, that is, using MPF to take out medical insurance. I find it unacceptable that he has amended my motion beyond recognition. As for the amendment proposed by “Brother Por”, he adopts a very rational approach that is so characteristic of him, and he has only clarified some background data. I fully support his amendment. Dr LAM has proposed a practicable amendment, so I support it too.

Deputy President, the central idea of my motion is to urge the Government to address the pressing needs of the public and give more consideration for our sake, which does not go against the original purpose of MPF at all. Therefore, I am very supportive of the amendments proposed by Dr LAM and Mr CHAN, but I am afraid I cannot concur with Mr TANG’s amendment. Thank you.

UNDER SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy President, I once again thank Dr Junius HO for moving the motion, the three Members for proposing the amendments, and another 23 Members for giving valuable views in their speeches. In my opening speech for the motion debate, I explained the policy intent of the Mandatory Provident Fund (“MPF”) System, and mentioned the actual performance of MPF and some enhancement measures. Now I am going to give a response on the major views expressed by Members in the debate just now.

Withdrawal of accrued benefits for non-retirement purposes

Dr Junius HO, Dr David LAM and a number of Members have indicated their wish to introduce additional grounds for early withdrawal of accrued benefits, such as payment of medical insurance premium or medical expenses or even home purchase.

I have to stress that the original purpose and ultimate objective of the MPF System is to assist wage earners in developing long-term financial discipline by requiring them to make regular contributions towards retirement savings over a long period of time. Besides, MPF is subject to the preservation requirements. It is not our wish that scheme members lose or prematurely use, before retirement, their accrued benefits which are supposed to provide them with basic retirement protection.

A bill was passed in the Legislative Council (“LegCo”) just last week to abolish the MPF offsetting arrangement with a view to better safeguarding the retirement benefits of wage earners. At this juncture, in view of the rapidly ageing population in Hong Kong, there is all the more reason to focus our discussion on how to further improve and consolidate the functions of MPF, rather than exploring other suggestions which may undermine the role of MPF as an important pillar of the retirement protection framework.

Under the current MPF System, an employer and an employee each contribute an amount equal to 5% of the employee’s relevant income. It has been suggested that MPF not only serve as retirement savings, but also be used to pay medical insurance premium or medical expenses or purchase properties, or even serve as collateral, thereby increasing the flexibility of MPF. If MPF is to serve these purposes without compromising its retirement protection, one of the feasible

or reasonable arrangements we may consider is setting different savings accounts for various purposes under the “dedicated-fund-for-dedicated-use” principle. Examples include medical insurance and housing provident fund in the “five insurances and one housing fund” in the Mainland, or the MediSave Account and the Ordinary Account under the Central Provident Fund in Singapore, the latter of which is intended for housing, insurance, investment and education. Nevertheless, I have to point out that the combined rates of contribution by an employer and an employee in the Mainland and Singapore may be as high as 57% and 37% respectively. I believe Members agree that it will be difficult to forge consensus in the community at the moment if the combined rate of MPF contribution by an employer and an employee is substantially increased from the current 10% to some 30% or even over 50%.

Let us take a look back at the current situation of the MPF System in Hong Kong. The mandatory contributions from an employer and an employee add up to 10% of the relevant income, subject to an annual cap of \$36,000. The MPF assets held by each scheme member amount to around \$260,000 on average. On the other hand, the annual premium of a general health insurance policy or an insurance policy under the Voluntary Health Insurance Scheme ranges from thousands of dollars to tens of thousands of dollars. We need not mention the costs of home ownership. Unless both employers and employees in Hong Kong accept a rise in the MPF contribution rate, it is indeed difficult for MPF to serve other different purposes without increasing the contribution rate or compromising its retirement protection.

(THE PRESIDENT resumed the Chair)

Cost-effectiveness of the Mandatory Provident Fund System

Quite a number of Members have just mentioned issues relating to the cost-effectiveness of MPF such as high fees and low returns. The cost-effectiveness of MPF is mainly assessed in two areas, namely fee level and investment performance. As the investment performance of MPF has been covered in my opening speech and discussed by some Members, I will now talk more about fee level and investment options.

eMPF Platform

As I have mentioned in the opening speech, when all MPF trustees and their schemes have migrated to the eMPF Platform under development as scheduled, we expect that with an eMPF Platform fee level in the proposed range of 30 to 40 basis points in the two-year transitional stage, the average MPF administration fee to be paid by scheme members will reduce by around 30%, and the overall Fund Expense Ratio (“FER”) will drop by over 10%. With a progressive reduction in the platform fee to about 20 to 25 basis points after the first 10 years of the platform operation, the average administration fee of MPF funds will be reduced by more than a half as compared to the current level. The total cumulative quantifiable cost savings to scheme members will be in the range of \$30 billion to \$40 billion. The eMPF Platform will have an immediate effect in lowering the fee level of the funds. In this regard, we extend our gratitude to not only LegCo for passing a bill in October last year to enact the principal legislation relating to the implementation of the eMPF Platform, but also to MPF trustees for cooperating with the efforts of the Government and the Mandatory Provident Fund Schemes Authority (“MPFA”) all along to take forward this project, which will result in a significant cost reduction, as I have just mentioned, and directly benefit scheme members.

Besides, the eMPF Platform will also improve user experience of the MPF System, and make it easier for scheme members to manage and switch MPF schemes, thereby increasing market competition. It will also facilitate the implementation of MPF full portability mentioned by Mr TANG Ka-piu, and assist the Labour and Welfare Bureau (“LWB”) in implementing the supporting measures in relation to the abolition of the MPF offsetting arrangement.

Mr CHAN Kin-por and a number of Members have suggested expediting the implementation of the eMPF Platform. The project is in the development stage, including the construction of the platform infrastructure and public engagement on the detailed design and user interface of the platform. The development of the eMPF Platform is a huge undertaking as our work involves the establishment of an operating framework from scratch and data migration of over 10 million MPF accounts involving 13 trustees, 27 schemes and over 4 million scheme members. We cannot underestimate the complexity involved. We aim to complete the system testing in around April 2023, and the system will then be ready for onboarding in phases. This is a very ambitious goal. MPFA will continue to engage with relevant stakeholders and closely monitor the work of the contractor to ensure quality and timely completion of the project.

Fee level

Mr TANG Ka-piu has suggested lowering the fee level of the funds under the Default Investment Strategy (“DIS”). In fact, the Government has lowered the statutory cap on out-of-pocket expenses of DIS funds, which are commonly known as the lazybones’ fund, from 0.2% to 0.1% per annum following the passage of the Mandatory Provident Fund Schemes (Amendment) Bill 2021 (“the 2021 Amendment Bill”) in October last year.

As for the management fee cap of 0.75% of DIS funds, the Government indicated at a meeting of the Bills Committee on the 2021 Amendment Bill that when all MPF trustees and their schemes migrated to the eMPF Platform in around 2025, more detailed information on the degree of reduction in management fee of each DIS fund due to cost savings in scheme administration arising therefrom would be available to facilitate the Government’s review on the adjustment to the statutory management fee cap of 0.75%.

DIS is of course subject to fee control, but it has also set a benchmark for other MPF funds and exerted pressure on them to reduce fees. According to the latest figures, the overall average FER of all MPF funds decreased to a new low of 1.39% in March this year.

Just now, Ms LAM So-wai and Ir LEE Chun-keung have suggested imposing a fee cap. The 2021 Amendment Bill passed last year has clearly set out the control on administration fees upon the implementation of the eMPF Platform. In order to ensure the cost savings derived will be passed directly to scheme members, the following two statutory requirements will be implemented after the launch of the eMPF Platform:

- (I) the scheme administration fee to be charged by trustees must not exceed the eMPF Platform fee, such that there can be “straight pass-on” of cost savings (being the difference between the existing scheme administration fee a trustee charges its scheme members and the future eMPF Platform fee, which will be lower than the current level) to scheme members, thereby benefiting scheme members; and
- (II) the overall FER of MPF funds must fully reflect the cost savings to ensure that there is corresponding reduction in the overall fee level.

We believe that through standardizing, streamlining, and automating scheme administration processes, and enabled by economies of scale and digitalization, the eMPF Platform will create a downward trend in the overall fee level. We will continue to keep monitoring MPF fees closely.

As Ms Starry LEE has just said, enhancing information transparency and market competition is also key to reducing fees. The MPF Fund Platform of MPFA provides breakdowns of fees charged by the service provider of each of the 412 funds under 27 schemes provided by 13 trustees, namely the administration/trustee/custodian fee, which is generally known as “management fee”, sponsor fee and investment management fee. It also provides statistics on investment returns. Scheme members may select different fund portfolios for comparison, and list the funds, including those poorly performed ones, in order of FER or rate of return. The clear comparison helps scheme members choose portfolios to meet their individual needs for retirement financial planning. We understand the issues with the publicity and investment education efforts mentioned by Ms Starry LEE. MPFA will strengthen its communication with the public and enhance MPF education.

On the other hand, the 2021 Amendment Bill passed last year has also implemented and enhanced the amendment thereto proposed by Mr LUK Chung-hung at that time. It is required that the annual benefit statement provided to scheme members every year must contain information about their MPF schemes including the latest FER, the amount and percentage of annualized return, cumulative return, management fee and all other fees and charges of the latest year. The central register on the eMPF Platform must also include the information contained in the most recent annual benefit statement. These requirements will complement the full implementation of the eMPF Platform, enhance the transparency of MPF funds, and facilitate scheme members’ access to their account information, with a view to enabling scheme members to manage their own MPF funds.

Investment options

Mr TANG Ka-piu, Mr Dennis LEUNG, Mr CHAU Siu-chung, Mr Robert LEE, Ms LAM So-wai and Ir Dr LO Wai-kwok have just suggested introducing other investment options, such as investment products that are linked to inflation or offer a rate of return of the inflation rate plus 1%, or DIS funds managed by public bodies or non-profit making organizations. They have also suggested increasing the numbers of products and service providers.

Currently, MPF schemes provide scheme members with more than 400 funds of different risk and return combinations. In response to their concerns about “high fees” and “difficulty in making investment choices” in the MPF System, it has been required by the law since 2017 that each MPF scheme must provide a DIS with a statutory fee cap, which provides global diversification of risks and automatic reduction of investment risk according to members’ age. Currently, one quarter of MPF accounts (around 2.61 million accounts) have opted for what is commonly known as the lazybones’ fund. Its two constituent funds recorded an annualized net rate of return of 7.2% and 3.2% respectively from their establishment in 2017 to March 2022, maintaining a robust growth in value and beating inflation by a wide margin. Through global diversification of risks, it is able to diversify risks amid market volatility.

We keep DIS and the overall operation of the MPF System under constant review, including facilitating MPF investment diversification and relaxing the restrictions on MPF investments, with a view to ensuring that MPF can achieve the policy objective of enabling scheme members to gradually accumulate benefits for value growth in the long run.

Overall retirement protection policy

Some Members have just mentioned other measures to enhance the MPF System, such as providing retirement protection for the working elderly, the Government making MPF contributions for low-income workers and reviewing the maximum income level for contribution purposes.

Regarding the working elderly, while making mandatory contributions is no longer necessary when an employee remains in employment on reaching the age of 65, both the employer and the employee may choose to make voluntary contributions to enhance the retirement protection for the employee.

As for making MPF contributions for low-income workers, the Chief Executive announced the relevant initiative in January 2020 with the aim of enhancing the support for the grass roots and the underprivileged in the long run and strengthening the retirement protection for low-income workers. It is necessary to make some arrangements to complement the implementation of this initiative, which is expected to take place after the full launch of the eMPF Platform in around 2025 at the earliest.

Mr Kingsley WONG has just suggested reviewing the maximum level of relevant income for MPF contributions. MPFA will, as always, review the minimum and maximum levels of relevant income for MPF contributions in accordance with the law. As this review concerns the retirement protection aspect of the MPF System, LWB will follow up the relevant matters, including giving detailed consideration to the review report prepared by MPFA, prudently considering and assessing all relevant factors, and reporting such reviews to LegCo in a timely manner.

The several other enhancement suggestions mentioned just now all concern the overall retirement protection policy. In formulating and taking forward the overall retirement protection policy, LWB will review the role and effectiveness of the MPF System in serving as the second pillar of the overall retirement protection framework in Hong Kong and its complementarity with other pillars.

Conclusion

President, in the opening speech, I have described MPF as a marathon that lasts for three to four decades because it takes four decades to develop a mature retirement protection system and fully achieve its wealth accumulation effect. The goal of this marathon is that wage earners, when retire, can enjoy the investment returns on their savings that have been accumulated bit by bit.

This marathon is full of obstacles, including profound changes in the international landscape, fluctuations in the financial market, ups and downs in an economic cycle and the novel coronavirus epidemic. This is all the more reason why we should bear in mind the original purpose and mission to maximize the protection for scheme members and give full play to MPF's function as retirement savings. At the same time, we will continue to listen to the views of LegCo and the general public, and review and improve the implementation of the MPF System in a timely manner in order to turn it into a more effective and robust retirement savings system and reinforce the public's confidence in the MPF System.

Thank you, President.

PRESIDENT (in Cantonese): I now call upon Mr TANG Ka-piu to move an amendment.

MR TANG KA-PIU (in Cantonese): President, I move my amendment.

The amendment moved by Mr TANG Ka-piu (See the marked-up version at Appendix 9)

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr TANG Ka-piu be passed.

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

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): Mrs Regina IP, do you wish to claim a division?

(Mrs Regina IP indicated that she did not wish to claim a division)

Mr Tommy CHEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Tommy CHEUNG has claimed a division. The division bell will ring for five minutes.

(Mr Jimmy NG stood up)

PRESIDENT (in Cantonese): Mr Jimmy NG, what is your point?

MR JIMMY NG (in Cantonese): President, I first declare that I am a Non-Executive Director of the Mandatory Provident Fund Schemes Authority (“MPFA”). As regards the wording of the original motion and the amendments, I opine that I have a conflict of interest. Therefore, I will only press the “Present” button, but will not cast a vote. Thank you, President.

(Mr TANG Ka-piu stood up)

PRESIDENT (in Cantonese): Mr TANG Ka-piu, what is your point?

MR TANG KA-PIU (in Cantonese): President, during my speech earlier, I have already declared that I am a Non-Executive Director of MPFA. Since being a Non-Executive Director does not come with any allowance or remuneration, I personally think that voting on this item does not involve any interest.

PRESIDENT (in Cantonese): Mr TANG Ka-piu, Members may decide on their own how they vote. It is fine so long as Members have made a declaration properly.

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

Election Committee Constituency:

Mr MA Fung-kwok, Ms Alice MAK, Mr LUK Chung-hung, Mr LAM Chun-sing and Mr Kingsley WONG voted for the amendment.

Dr Junius HO, Ir LEE Chun-keung and Mr Benson LUK voted against the amendment.

Mr Paul TSE, Ms Elizabeth QUAT, Mr CHEUNG Kwok-kwan, Dr Johnny NG, Ms Nixie LAM, Prof Nelson LAM, Dr Dennis LAM, Dr Wendy HONG, Mr Kenneth LEUNG, Ms CHAN Yuet-ming, Mr Rock CHEN, Mr CHAN Pui-leung, Ms Judy CHAN, Ms Maggie CHAN, Ir CHAN Siu-hung, Ms Lillian KWOK and Dr TAN Yueheng abstained.

Functional Constituencies:

Mr KWOK Wai-keung, Dr TIK Chi-yuen, Mr CHAU Siu-chung, Dr David LAM and Mr Dennis LEUNG voted for the amendment.

Mr Tommy CHEUNG, Mr Jeffrey LAM, Mr CHAN Kin-por, Mr Frankie YICK, Mr Martin LIAO, Ir Dr LO Wai-kwok, Mr SHIU Ka-fai, Mr CHAN Chun-ying, Mr Tony TSE, Mr Robert LEE, Mr LAM San-keung, Mr Duncan CHIU, Mr YIU Pak-leung, Mr Kenneth FOK and Mr Louis LOONG voted against the amendment.

Mr Steven HO, Mr CHU Kwok-keung, Mr CHAN Yung and Mr YIM Kong abstained.

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

Geographical Constituencies:

Mr Stanley NG, Mr LEUNG Man-kwong, Ms Joephy CHAN, Mr YANG Wing-kit and Mr TANG Ka-piu voted for the amendment.

Ms Starry LEE, Mr CHAN Hak-kan, Mrs Regina IP, Mr CHAN Han-pan, Mr Holden CHOW, Mr LAU Kwok-fan, Mr Vincent CHENG, Mr Stanley LI, Ms LAM So-wai, Mr Edward LEUNG, Mr CHAN Hok-fung and Mr NGAN Man-yu abstained.

THE PRESIDENT announced that among the Members returned by the Election Committee, 25 were present, 5 voted in favour, 3 voted against and 17 abstained;

while among the Members returned by functional constituencies and geographical constituencies, 43 were present, 10 voted in favour, 15 voted against and 16 abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he declared the amendment negatived.

MS STARRY LEE (in Cantonese): President, I move that in the event of further divisions being claimed in respect of the motion on “Revitalizing the Mandatory Provident Fund” or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms Starry LEE be passed.

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

(Members raised their hands)

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

(No hands raised)

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

I declare the motion passed.

I order that in the event of further divisions being claimed in respect of the motion concerned or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): Mr CHAN Kin-por, you may move your amendment.

MR CHAN KIN-POR (in Cantonese): President, I move my amendment.

The amendment moved by Mr CHAN Kin-por (See the marked-up version at Appendix 10)

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr CHAN Kin-por be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Tommy CHEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Tommy CHEUNG has claimed a division. The division bell will ring for one minute.

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

Election Committee Constituency:

Mr Paul TSE, Mr MA Fung-kwok, Dr Junius HO, Prof Nelson LAM, Dr Dennis LAM, Ms CHAN Yuet-ming, Mr CHAN Pui-leung, Ir CHAN Siu-hung and Mr Benson LUK voted for the amendment.

Ms Alice MAK, Mr LUK Chung-hung, Ir LEE Chun-keung, Mr LAM Chun-sing and Mr Kingsley WONG voted against the amendment.

Ms Elizabeth QUAT, Mr CHEUNG Kwok-kwan, Dr Johnny NG, Ms Nixie LAM, Dr Wendy HONG, Mr Kenneth LEUNG, Mr Rock CHEN, Ms Judy CHAN, Ms Maggie CHAN, Ms Lillian KWOK and Dr TAN Yueheng abstained.

Functional Constituencies:

Mr Jeffrey LAM, Mr CHAN Kin-por, Ir Dr LO Wai-kwok, Mr CHU Kwok-keung, Mr Robert LEE, Dr TIK Chi-yuen, Dr David LAM, Mr LAM San-keung, Mr YIU Pak-leung and Mr Louis LOONG voted for the amendment.

Mr Tommy CHEUNG, Mr Frankie YICK, Mr KWOK Wai-keung, Mr SHIU Ka-fai, Mr CHAU Siu-chung and Mr Dennis LEUNG voted against the amendment.

Mr Steven HO, Mr Martin LIAO, Mr CHAN Chun-ying, Mr Tony TSE, Mr Duncan CHIU, Mr CHAN Yung, Mr Kenneth FOK and Mr YIM Kong abstained.

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

Geographical Constituencies:

Ms LAM So-wai voted for the amendment.

Mr Stanley NG, Ms Joephy CHAN and Mr TANG Ka-piu voted against the amendment.

Ms Starry LEE, Mr CHAN Hak-kan, Mrs Regina IP, Mr CHAN Han-pan, Mr Holden CHOW, Mr LAU Kwok-fan, Mr Vincent CHENG, Mr Stanley LI, Mr LEUNG Man-kwong, Mr Edward LEUNG, Mr CHAN Hok-fung, Mr YANG Wing-kit and Mr NGAN Man-yu abstained.

THE PRESIDENT announced that among the Members returned by the Election Committee, 25 were present, 9 voted in favour, 5 voted against and 11 abstained; while among the Members returned by functional constituencies and geographical constituencies, 43 were present, 11 voted in favour, 9 voted against and 21 abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he declared the amendment negatived.

PRESIDENT (in Cantonese): Dr David LAM, you may move your amendment.

DR DAVID LAM (in Cantonese): President, I move my amendment.

The amendment moved by Dr David LAM (See the marked-up version at Appendix 11)

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Dr David LAM be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Tommy CHEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Tommy CHEUNG has claimed a division. The division bell will ring for one minute.

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

Election Committee Constituency:

Mr Paul TSE, Mr MA Fung-kwok, Dr Junius HO, Prof Nelson LAM, Dr Dennis LAM, Ms CHAN Yuet-ming, Ir CHAN Siu-hung and Mr Benson LUK voted for the amendment.

Ms Alice MAK, Mr LUK Chung-hung, Ir LEE Chun-keung, Mr LAM Chun-sing and Mr Kingsley WONG voted against the amendment.

Ms Elizabeth QUAT, Mr CHEUNG Kwok-kwan, Dr Johnny NG, Ms Nixie LAM, Dr Wendy HONG, Mr Kenneth LEUNG, Mr Rock CHEN, Mr CHAN Pui-leung, Ms Judy CHAN, Ms Maggie CHAN, Ms Lillian KWOK and Dr TAN Yueheng abstained.

Functional Constituencies:

Mr Jeffrey LAM, Ir Dr LO Wai-kwok, Mr CHU Kwok-keung, Mr Robert LEE, Dr TIK Chi-yuen, Dr David LAM, Mr LAM San-keung, Mr YIU Pak-leung and Mr Louis LOONG voted for the amendment.

Mr Tommy CHEUNG, Mr Frankie YICK, Mr KWOK Wai-keung, Mr Martin LIAO, Mr SHIU Ka-fai, Mr CHAN Chun-ying, Mr Tony TSE, Mr CHAU Siu-chung and Mr Dennis LEUNG voted against the amendment.

Mr CHAN Kin-por, Mr Steven HO, Mr Duncan CHIU, Mr CHAN Yung, Mr Kenneth FOK and Mr YIM Kong abstained.

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

Geographical Constituencies:

Ms LAM So-wai and Mr LEUNG Man-kwong voted for the amendment.

Mr Stanley NG, Ms Joephy CHAN and Mr TANG Ka-piu voted against the amendment.

Ms Starry LEE, Mr CHAN Hak-kan, Mrs Regina IP, Mr CHAN Han-pan, Mr Holden CHOW, Mr LAU Kwok-fan, Mr Vincent CHENG, Mr Stanley LI, Mr Edward LEUNG, Mr CHAN Hok-fung, Mr YANG Wing-kit and Mr NGAN Man-yu abstained.

THE PRESIDENT announced that among the Members returned by the Election Committee, 25 were present, 8 voted in favour, 5 voted against and 12 abstained; while among the Members returned by functional constituencies and geographical constituencies, 43 were present, 11 voted in favour, 12 voted against and 18 abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he declared the amendment negatived.

PRESIDENT (in Cantonese): Dr Junius HO, you still have 1 minute 57 seconds to reply. Then, the debate will come to a close.

DR JUNIUS HO (in Cantonese): President, I am very grateful to the 10-odd Members for expressing support for my original motion just now. Besides, a significant portion of colleagues basically agree that there is room to improve or enhance the Mandatory Provident Fund (“MPF”) System and increase or promote its flexibility.

I understand some Members against the motion have indicated that if my motion is passed and MPF is allowed to be used to take out medical insurance, then it can also be used for other purposes, which runs counter to the original general purpose of MPF. In this connection, I have to stress to all colleagues again that we should let the people take this matter into their own hands and make up their own minds. This is a suggestion for the Government’s consideration. If we cannot achieve a breakthrough on this matter, how can we make things perfect for Hong Kong people?

Today, a virtuous force has set off from Hong Kong, but two strong anticyclones get in its way in the vicinity of Jiangmen. I am very unhappy about this. I hope that colleagues who still intend to abstain will join this virtuous force in taking forward the revitalization of the MPF scheme in order to provide better support for Hong Kong people. Concerning the five pillars, spending some of our money on medical expenses actually gives ourselves nothing but protection.

President, I so submit.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Tommy CHEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Tommy CHEUNG has claimed a division. The division bell will ring for one minute.

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

Election Committee Constituency:

Mr Paul TSE, Mr MA Fung-kwok, Dr Junius HO, Prof Nelson LAM, Dr Dennis LAM, Ms CHAN Yuet-ming, Ir CHAN Siu-hung and Mr Benson LUK voted for the motion.

Ms Alice MAK, Mr LUK Chung-hung, Ir LEE Chun-keung, Mr LAM Chun-sing and Mr Kingsley WONG voted against the motion.

Ms Elizabeth QUAT, Mr CHEUNG Kwok-kwan, Dr Johnny NG, Ms Nixie LAM, Dr Wendy HONG, Mr Kenneth LEUNG, Mr Rock CHEN, Mr CHAN Pui-leung, Ms Judy CHAN, Ms Maggie CHAN, Ms Lillian KWOK and Dr TAN Yueheng abstained.

Functional Constituencies:

Mr Jeffrey LAM, Ir Dr LO Wai-kwok, Mr CHU Kwok-keung, Mr Robert LEE, Dr TIK Chi-yuen, Dr David LAM, Mr LAM San-keung, Mr YIU Pak-leung and Mr Louis LOONG voted for the motion.

Mr Tommy CHEUNG, Mr Frankie YICK, Mr KWOK Wai-keung, Mr Martin LIAO, Mr SHIU Ka-fai, Mr CHAN Chun-ying, Mr Tony TSE, Mr CHAU Siu-chung, Mr Duncan CHIU and Mr Dennis LEUNG voted against the motion.

Mr CHAN Kin-por, Mr Steven HO, Mr CHAN Yung, Mr Kenneth FOK and Mr YIM Kong abstained.

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

Geographical Constituencies:

Ms LAM So-wai voted for the motion.

Mr Stanley NG, Ms Joephy CHAN and Mr TANG Ka-piu voted against the motion.

Ms Starry LEE, Mr CHAN Hak-kan, Mrs Regina IP, Mr CHAN Han-pan, Mr Holden CHOW, Mr LAU Kwok-fan, Mr Vincent CHENG, Mr Stanley LI, Mr LEUNG Man-kwong, Mr Edward LEUNG, Mr CHAN Hok-fung, Mr YANG Wing-kit and Mr NGAN Man-yu abstained.

THE PRESIDENT announced that among the Members returned by the Election Committee, 25 were present, 8 voted in favour, 5 voted against and 12 abstained; while among the Members returned by functional constituencies and geographical constituencies, 43 were present, 10 voted in favour, 13 voted against and 18 abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he declared the motion negatived.

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

Mr Jeffrey LAM will move a motion on “Strengthening and consolidating Hong Kong’s status as an international financial centre and enhancing its competitiveness”.

Four Members will move the 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 Jeffrey LAM to speak and move the motion. Then I will call upon Mr Rock CHEN, Mr CHAN Chun-ying, Mr Robert LEE and Dr Stephen WONG to speak in sequence, but they may not move the 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 Jeffrey LAM to speak and move the motion.

MOTION ON “STRENGTHENING AND CONSOLIDATING HONG KONG’S STATUS AS AN INTERNATIONAL FINANCIAL CENTRE AND ENHANCING ITS COMPETITIVENESS”

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

President, as the world’s leading international financial centre, Hong Kong is not only the premier location for financial services, but also a place where many financial institutions have established their presence. We have the advantages of a sound legal system, a simple and low tax regime, free flow of capital, a full range of financial products, and a large pool of financial talents; our performance in banking, the securities and capital markets, asset and wealth management, and other financial services is outstanding; and most importantly, Hong Kong’s status as an international financial centre remains unshaken because of our unique advantage of being backed by our country and facing the world, which has enabled us to serve as a bridge between China and the world.

With the implementation of the Hong Kong National Security Law, our business environment has become more stable and our economic development more secure. Since the implementation of the Hong Kong National Security Law, the Initial Public Offering funds raised in Hong Kong exceeded \$650 billion, representing an increase of more than 30% over the same period before the implementation. The average daily turnover of Hong Kong stocks exceeds \$150 billion, nearly 60% higher than the 12 months before the implementation of

the Hong Kong National Security Law. These prove that the international market has cast a vote of confidence in Hong Kong as an international financial centre and that our business environment is attractive.

Although Hong Kong has long been the third largest international financial centre, in the face of a complex and volatile internal and external environment, we must be aware of market trends and be vigilant in times of peace. According to the World Competitiveness Yearbook 2022 published by the International Institute for Management Development in Lausanne, Switzerland, Hong Kong ranks fifth in terms of competitiveness, while Singapore ranks third, which is the highest in Asia.

In the face of advancing competitors, we cannot remain unchanged. We need to act appropriately having regard to the circumstances and strengthen mutual access of our financial markets with those of the Mainland, including enhancing the functions of cross-border trade settlement in Renminbi (“RMB”) and real-time RMB payment and settlement systems. At the same time, we must cater for the needs of foreign investors and various industries for talents; strike a balance between protecting public health and facilitating business under the epidemic; and promote the progress of our financial markets. I would like to make three suggestions as follows.

Firstly, we must review the current regime, including studying the formulation of a more competitive tax regime to attract talents, enterprises and capital to establish a presence in Hong Kong. Attractiveness of government policies is one of the key factors for foreign companies in considering a place as their headquarters in the Asia-Pacific region or even globally. A low and simple tax regime has been the advantage relied by Hong Kong for its success in the past, we cannot merely depend on our established advantages and we must review our regime to maintain our advantages and enhance our competitiveness.

Let us look at Singapore. In recent years, Singapore has not only used tax concessions and money power to attract foreign investment, but also introduced a facilitation framework to attract enterprises to set up subsidiaries. Many multinational enterprises, including large technology and Internet enterprises, have set up their Asia-Pacific headquarters in Singapore. Currently, Singapore has the largest number of the Fortune 500 companies headquartered among all Asian cities, bringing not only a large number of jobs but also forming an important financial and business economic chain locally. To remain competitive, Hong Kong must provide a variety of economic policies and incentives. The Hong Kong General

Chamber of Commerce has been advocating the introduction of “group loss relief” and “loss carry-back” for many years. It is advisable for the Government to actively consider introducing such arrangements to encourage enterprises to invest in Hong Kong and to attract foreign investors to relocate their headquarters to Hong Kong.

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

Secondly, we should review the talent policy to retain and attract talents from all walks of life. Talents are an important treasure to Hong Kong. In battling for international financial talents, Singapore has always been in a state of war. They have made frequent moves to attract talents in recent years, and their immigration and quarantine initiatives introduced under the epidemic have been quite aggressive too.

On the contrary, in the past three years, Hong Kong has been hit by a series of social incidents and the epidemic, coupled with the fierce competition for talents from all over the world. Undeniably, Hong Kong is experiencing the largest brain drain of highly educated talents since the early 1990s.

I have seen some optimistic comments that talents will definitely return to Hong Kong after the epidemic. The reality, however, is that many talents have gone to places like Singapore and Doha for development after returning to Hong Kong to visit their relatives in China. If they stay in those places for a long time, especially if all family members have moved there too, they will have less incentive to return to Hong Kong. If multinational enterprises have difficulties in retaining talents, can the vacancies be filled by our local professionals? In the face of the brain drain of many technicians, professionals and senior executives of organizations, the Government should boldly prescribe “strong medicine” for “a serious illness” in an attempt to attract and retain talents. I suggest that the Government should set up a “new economy talent pool” to provide greater incentives for people from outside Hong Kong to come here for development in new economy industries such as fintech and carbon emissions trading, including providing them with comprehensive support and assistance such as education for their children, housing and medical benefits, so that they can settle in Hong Kong at ease, thereby promoting the development of the relevant industries in Hong Kong.

Deputy President, thirdly, we must expeditiously discuss quarantine-free travel arrangements with the Mainland, with a view to restoring Hong Kong's connection with the Mainland and international markets as soon as possible. The resumption of quarantine-free travel arrangements between Hong Kong and the Mainland is of paramount importance to the economy and people's livelihood. I very much hope that Chief Executive Carrie LAM and Chief Executive-elect John LEE will discuss with the Mainland as soon as possible to find out the premises and conditions for "point-to-point" partial resumption of cross-boundary travel and even the resumption of quarantine-free travel. Then, we must make concerted efforts and do our best to meet the conditions. I also hope that when the epidemic eases further, the authorities will relax the quarantine arrangements for overseas arrivals in a timely manner. Although more people are travelling to and from Hong Kong after the quarantine period was suitably shortened on 1 April, Hong Kong's quarantine policy is still a hurdle for inbound visitors after many regions have substantially relaxed their quarantine restrictions in recent months. Therefore, if the epidemic eases in the future, I hope the Government will relax the quarantine period in hotels from seven to three or four days, or allow people who meet the home quarantine standards to be quarantined at home. Of course, we have to do a good job of gatekeeping in the process, including conducting random checks and tracking.

Deputy President, as the Chief Executive-elect John LEE said, the financial services industry is a traditional strength of Hong Kong, and whether it can be given full play and continue to be strengthened is an important task to be pressed ahead. Standing at a new starting point, we must leverage our own advantages, actively integrate into the overall development of the country, and give full play to "capitalizing on Hong Kong's strengths to serve the country's needs", so as to consolidate and enhance Hong Kong's status as an international financial centre.

Deputy President, I so submit.

Mr Jeffrey LAM moved the following motion: (Translation)

"That this Council urges the SAR Government to formulate specific policies and measures to strengthen and consolidate Hong Kong's status as an international financial centre and enhance its overall competitiveness, with a view to capitalizing on Hong Kong's strengths to serve the country's needs; the proposals include:

- (1) facilitating a business-friendly environment to properly address the business needs amid the epidemic;
- (2) reviewing the current tax regime, including considering the formulation of a more competitive tax regime to attract talents, enterprises and capital to establish a presence in Hong Kong;
- (3) reviewing the talent policy to retain and attract talents in various sectors; and
- (4) expeditiously discussing quarantine-free travel arrangements with the Mainland, and, when the epidemic eases further, relaxing the quarantine arrangements for overseas arrivals in a timely manner, with a view to restoring Hong Kong's connection with the Mainland and international markets as soon as possible.”

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

MR ROCK CHEN (in Cantonese): Deputy President, one of the greatest values and contributions of Hong Kong to our country is that Hong Kong is the only international financial centre of our country. However, the long-standing stringent quarantine policy and the flight suspension mechanism have directly impacted on the normal operation of our financial sector and the willingness of top talents in the sector to come or stay in Hong Kong.

However, will Members please do not misunderstand me. I am not asking for relaxation of all anti-epidemic policies. On the contrary, I would like to urge the SAR Government to optimize and enhance the existing anti-epidemic policies to achieve the objective of strictly and fully “guarding against the importation of cases and the resurgence of domestic infections”. In the face of severe challenges from other financial centres such as Singapore, Dubai and London, Hong Kong must have a set of stringent, scientifically-based and time-tested anti-epidemic policies as a premise on which it will have the conditions to relax the quarantine arrangements for overseas arrivals and review the flight suspension mechanism with scientific justifications in a timely manner, so that it can expeditiously discuss

quarantine-free travel arrangements with the Mainland, with a view to restoring Hong Kong's connection with the Mainland and international markets in a gradual and orderly manner.

In addition, the Government should step up publicity of various talent admission schemes through the SAR Government's offices outside Hong Kong, and at the same time assess and review the attractiveness of the existing overseas talent schemes to financial talents. The Government should consider introducing more preferential and attractive policies where necessary, and make good use of Hong Kong's unique competitive advantage of the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA").

In my amendment, I have put forward three major proposals to promote the development of Hong Kong as a financial centre, namely, promoting fintech; promoting green and sustainable finance; and expanding offshore Renminbi ("RMB") business. As regards fintech, I propose that the Government should formulate a fintech infrastructure strategy to promote fintech development and financial inclusion, and attract local and regional participants to jointly develop fintech products, so as to promote Hong Kong as a regional fintech leader in GBA. Specific proposals include studying the establishment of a cross-border fast payment system that supports both RMB and digital RMB, including interfacing Hong Kong's Faster Payment System with the Mainland's online real-time payment systems.

In addition, the Government should also expedite the issuance of digital Hong Kong dollars. In the medium to long term, Hong Kong should be developed into a pilot area in GBA for offshore digital RMB, and become an offshore digital RMB-denominated trade settlement and asset trading centre.

Hong Kong has been the world's largest and most important offshore RMB business hub. The Government should further consolidate and expand its advantages on the existing basis by expanding offshore RMB business and investment product channels, and increasing the size of RMB liquidity pool, and further introducing an RMB-denominated stock and security trading system. At the same time, the Government should promote the use of RMB in international trade, including optimizing the real-time payment and settlement system between Hong Kong and Southeast Asian countries. In addition to the US dollar, a link with the RMB RTGS (Real Time Gross Settlement) system should be established in Hong Kong to enable simultaneous settlement of local currencies and RMB.

Green finance has become a global trend in recent years, and there is still much room for Hong Kong to develop in this area. The authorities should expeditiously implement cooperation initiatives with the carbon exchanges in GBA cities, establish a national carbon emission trading system, promote the formation of a unified carbon market in the region, and develop a regional carbon emission trading centre which provides connectivity with GBA.

Deputy President, it is extremely important to consolidate and enhance the positioning and functions of Hong Kong as an international financial centre. I thank Mr Jeffrey LAM for his motion and hope that this debate can arouse the concern of the Government and the industry, so that favourable measures can be expeditiously introduced to consolidate Hong Kong's financial advantages, with a view to capitalizing on Hong Kong's strengths to serve the country's needs.

With these remarks, Deputy President, I support the original motion and all the amendments.

MR CHAN CHUN-YING (in Cantonese): Deputy President, over the past 25 years since our return to the Motherland, with the support of the Central Authorities, Hong Kong has overcome a number of crises, sustained the development of its financial sector and consolidated and enhanced its status as an international financial centre. The National 14th Five-Year Plan will enable Hong Kong to integrate into the overall national development, support Hong Kong in enhancing its status as an international financial, transportation and trade centre and an international aviation hub, and in strengthening its roles as a global offshore Renminbi (“RMB”) business hub, an international asset management centre and a risk management centre, etc.

The implementation of the 14th Five-Year Plan has provided a clear direction and positioning for the development of Hong Kong's financial sector. It is believed that the internationalization of RMB, green and low carbon, digitalization and wealth and asset management and so on will be the key words for the development of Hong Kong's financial industry.

Hong Kong is currently ranked third in the Global Financial Centres Index, the world's most authoritative index indicating the status of international financial centres, compiled jointly by the think tank Z/Yen Group in the United Kingdom

and the China Development Institute in Shenzhen, China. Since 2007, the index has been evaluating 46 financial centres around the world, and is updated regularly in March and September each year to show the changes in the competitiveness of each financial centre.

The index focuses on the market flexibility, adaptability and development potential of each financial centre. The rating system covers five indicators, namely, business environment, reputational and general, human capital, infrastructure and financial sector development.

Hong Kong's current ranking is not stable. In March 2020, Hong Kong's ranking dropped from the third to the sixth place, and has since recovered to the third place in half-yearly steps. Hong Kong's ranking as released in March this year has remained third, but the difference in rating between each rank from the third to the eighth financial centre (i.e. Hong Kong, Shanghai, Los Angeles, Singapore, San Francisco and Beijing) is only one point.

Hong Kong only ranks 4th in terms of human capital, which is behind Singapore, and even ranks 11th in terms of financial sector development. On the contrary, Shenzhen, which ranks 10th, has climbed 6 places in half a year, its amazing strength in catching up is something which Hong Kong should not take lightly.

I am very grateful to Mr Jeffrey LAM for proposing the motion this time. He has put forward three proposals and urged the Government to expeditiously formulate measures to consolidate and enhance Hong Kong's status as an international financial centre. I also support the amendments proposed by the other Members, such as enhancing the current regulatory regime; striking a proper balance between regulation and development, which we often suggest; and making active efforts to explain and promote to international investors, and tell a good Hong Kong story.

However, Deputy President, when private companies set their business objectives, they should often make "three comparisons". They must compare their performances with those of the previous years, then compare them with those of their peers of similar scale, and if they have international business, they must also compare them with those of their peers in the international arena.

Therefore, on the basis of the original motion, I suggest that the Government should regularly draw comparisons with our competitors, which are the highest ranked global international financial centres, and conduct analysis and assessment on key indicators such as business environment, human capital, infrastructure and development level, so as to identify performance gaps, and only in this way can it formulate corresponding strategies and measures in a timely manner.

Just now Mr Jeffrey LAM mentioned that the overall competitiveness of Hong Kong as in the report published by the International Institute for Management Development in Lausanne, Switzerland seems to have increased, but still, our ranking has lagged behind that of Singapore for a long time. Since the epidemic started, Hong Kong has been lagging behind Singapore in terms of attracting financial talents and inward investment due to the impact of the “border-closing” measures, and the financial industry is facing the challenges of losing talents and business. If we do not expeditiously introduce response measures for importation of talents to “stop the bleeding”, I am afraid the gap will only get wider and wider.

The Chief Executive-elect John LEE has proposed to adopt a “result-oriented” approach as one of his three major policy directions. Considering the importance of the financial sector to Hong Kong, it is believed that maintaining Hong Kong’s status as an international financial centre will be the focus of the new Government’s administration. In international competition, we are like sailing against the current, we will fall behind if no progress is made and as the Director of the Liaison Office of the Central People’s Government in the Hong Kong Special Administrative Region, Mr LUO Huining, said, “We will fall behind if progress is not made fast enough.” Hong Kong must know itself and its opponents, keep making progress, and always maintain its position as at least the third international financial centre with the hope of becoming the second, in order to make ourselves unbeatable. I urge the new Government to immediately review the quarantine measures to facilitate a business-friendly environment.

Hong Kong is an important economy which is highly market-oriented and internationalized. I believe, if we do our part, Hong Kong’s status as an international financial centre will reach new heights.

I so submit. Thank you, Deputy President.

MR ROBERT LEE (in Cantonese): Deputy President, first of all, I would like to declare interest as I am engaged in work related to the financial services industry. I thank and support Mr Jeffrey LAM for proposing the motion on “Strengthening and consolidating Hong Kong’s status as an international financial centre and enhancing its competitiveness”.

As a Member from the financial services sector, I am very concerned about the development of our sector. Financial services serve various trades and industries, individuals and organizations, promote the economy and create job opportunities, thereby helping to solve deep-rooted problems in society.

In my amendment, I emphasize the need to promote the diversified development of the financial sector, strike a better balance between market needs and regulation, and at the same time, enhance our competitiveness.

With the reform and opening up of the country, especially in the financial sector, I believe there will be enormous opportunities. In the 14th Five-Year Plan, the Central Government has clearly affirmed the role of Hong Kong as an international financial centre. Being affected by the epidemic for more than two years and the recent geopolitical complications, the financial sector is experiencing operational difficulties with rising costs in compliance and IT (information technology). Therefore, in order to promote diversified development of the financial sector, the Government should actively communicate with the sector and various stakeholders, including the regulators, the exchanges and the relevant departments of the Central Government. In order to develop the market, for example, as regards the Cross-boundary Wealth Management Connect Scheme, we should strive for wider participation of the financial sector and broaden the range of investment products as soon as possible. In terms of policy, the Government should not only actively promote the development of securities, but also open up new financial services areas such as commodity futures, precious metals, corporate financing, funds and innovation fields, with a view to enabling foreign funded, Mainland-funded and local enterprises to develop business together, and further increasing the variety of financial services and products.

A better balance should be struck between market development and regulation. We should provide more investor education instead of limiting the choice of investors and the scope of business of financial intermediaries. For example, many bonds are currently listed on the Hong Kong Stock Exchange but

are not traded because of restrictions imposed by professional investors; in addition to bonds, trading of special purpose acquisition companies or virtual assets that will be regulated by a licensing regime in the future will probably be restricted by professional investors. As for the proposed enactment of anti-money laundering legislation, introduction of a licensing regime for virtual asset service providers and a two-tier registration system with the Commissioner for Customs and Excise for the precious metal and precious stone industries in the future, the financial sector is worried whether the regulations will bring different pressures and challenges. We hope that the authorities can formulate more policies in this regard from the perspective of market development.

In terms of listing, we have attracted very large enterprises to be listed in Hong Kong in recent years, but with the change in the requirements for listing on the Main Board, the room for survival of many small- and medium-sized enterprises (“SMEs”) advising on corporate finance, or the “Type 6”, will be reduced. The SMEs include not only those in the financial sector, but also SMEs of listed companies, as well as professional services such as those provided by lawyers and accountants. With only one listing on the GEM (Growth Enterprise Market) Board last year, there is a need for more financing channels to help these innovative or growth companies that do not meet the requirements for listing on the Main Board. We have compiled statistics internally from some research and found that the larger the market capitalization, the fewer pages of disclosure and the shorter the approval time. Therefore, we should pay attention to the development of large, medium and small companies.

Lastly, in terms of enhancing competitiveness, the Government often emphasizes our IPO (Initial Public Offering) performance, but this year the IPO-related figures has actually dropped a lot. We should pay more attention to things other than IPOs, such as trading, and improve our competitiveness in this area. We should seriously review the impact of increasing the rate of Stamp Duty on Stock Transfers. At present, five charges are payable for trading in Hong Kong stocks. Compared with other markets, for example, trading in US stocks is provided free of charge. In this regard, I hope there will be some in-depth reviews and room for improvement in the future.

I so submit.

UNDER SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy President, first of all, I would like to thank Mr Jeffrey LAM for proposing the motion on “Strengthening and consolidating Hong Kong’s status as an international financial centre and enhancing its competitiveness” and the four Members for proposing the amendments, which have given Members an opportunity to exchange views on the subject.

As an international financial centre, Hong Kong possesses unique conditions, including the institutional advantages under “one country, two systems”, an excellent tradition of the rule of law, a simple and low tax regime, a market-oriented and internationalized business environment, sound infrastructural support, a regulatory system that is in line with international standards, and free flow of information and capital, and so on. With the implementation of the Hong Kong National Security Law and the improvement of the electoral system, Hong Kong is entering a new stage of development from governance to prosperity, the conditions and advantages it possesses have become more secure, which is conducive to its further development as an international financial centre. In addition, the National 14th Five-Year Plan supports the enhancement of Hong Kong’s status as an international financial centre and sets out specific objectives, including strengthening Hong Kong’s functions as a global offshore Renminbi (“RMB”) business hub, an international asset management centre and a risk management centre; deepening and widening mutual access between the financial markets of the Mainland and Hong Kong; and pursuing high-quality development of the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”).

Throughout Hong Kong’s development as an international financial centre, we have come to realize that the steady development of our country provides the most solid backing for Hong Kong. Looking ahead, we recognize that serving the needs of the country is the core mission of the development of Hong Kong as an international financial centre. Under the “dual circulation” strategy, our country’s continuous reform, high-quality two-way opening up, ongoing RMB internationalization and transformation to a green and zero-emission economy have brought us new missions and opportunities. In order to strengthen and consolidate Hong Kong’s position as an international financial centre, we have all along dovetailed with the needs of our country and attuned to the pulse of the global investment market, made good use of the national policy and our own advantages, and played the role at the intersection of domestic and international circulations well. We will connect domestic and foreign markets and investors, assist Mainland enterprises to explore the international market and proactively develop a

more vibrant and diversified financial market in terms of type of investment products, risk management tool, appropriate corporate financing arrangement and treasury management needs.

With the support of the Central People's Government, the SAR Government is committed to promoting Hong Kong's competitiveness as the international financial centre of the country in various aspects, including strengthening the advantages in traditional financial industries such as wealth and asset management, securities and insurance, etc., striving to increase mutual access with the Mainland financial markets, enriching Hong Kong's offshore RMB financial products, providing an effective channel for the two-way flow of RMB funds between the offshore and onshore markets, and further promoting the development of green and sustainable finance and fintech. These measures will facilitate the country's progress in developing the financial sector to serve the real economy, promoting internationalization of RMB, deepening financial market reforms, etc.

At the same time, Hong Kong is a highly open economy and faces considerable challenges in the complex and volatile external environment and uncertainties in the global economy and financial markets. Thanks to Hong Kong's robust and mature regulatory regime and rigorous systemic risk management framework, Hong Kong's financial markets have demonstrated resilience and stability despite the impact of the COVID-19 epidemic and the recent global market turmoil. The SAR Government and financial regulators have been closely monitoring market changes and risks, and have been preparing and planning for various risks with a "bottom-line mindset" to ensure the orderly and smooth operation of Hong Kong's financial market and financial system, and to balance stability and safety with rapid development, so that Hong Kong's market can fully realize its potential and become a more competitive international financial centre.

In its assessment at the beginning of this year, the International Monetary Fund reaffirmed Hong Kong's position as a major international financial centre and commended the sound regulatory and supervisory framework of Hong Kong's financial sector, which has continued to expand and develop during the epidemic. The delegation also believes that there is still much room for upward economic growth in Hong Kong, with the faster-than-expected recovery of the global economy and the development opportunities brought about by GBA as factors conducive to Hong Kong's economic development. In addition, in the latest Global Financial Centres Index Report released in March this year, Hong Kong

continues to rank high in various competitive areas, including business environment, human capital, infrastructure and reputational, and remains third in the world and first in Asia in the overall ranking, reaffirming Hong Kong's position as a leading international financial centre.

In the face of fierce competition in the market economy, the SAR Government has always kept in mind the motto that “If you don't advance, you will stay behind, and even slow progress means being left behind”, and has continued to strengthen Hong Kong's advantages in the financial services industry. I am very pleased that Mr Jeffrey LAM has proposed this debate today, so that we can listen to Members' insightful views and further communicate with them. I will later respond to and supplement the views and suggestions put forward by Members with my colleagues from the Commerce and Economic Development Bureau.

(THE PRESIDENT resumed the Chair)

Thank you, President.

MR MARTIN LIAO (in Cantonese): President, I am grateful to Mr Jeffrey LAM for proposing the original motion on “Strengthening and consolidating Hong Kong's status as an international financial centre and enhancing its competitiveness” and the four Members for proposing the amendments in a timely manner amidst the wrestling between China and the United States and the impact of the COVID-19 epidemic.

President, Article 109 of the Basic Law provides for “the maintenance of the status of Hong Kong as an international financial centre”. All along, Hong Kong's sound common law system, free flow of information and capital, business-friendly environment, and regulatory regime that is in line with international standards have been important factors contributing to Hong Kong's status as an international financial centre. After years of development, Hong Kong has become the world's third largest international financial centre with excellent achievements, and the financial services industry has made outstanding contributions to the Hong Kong economy.

However, there is no denying that Hong Kong's status as an international financial centre is faced with many challenges. First of all, in order to cater to the needs of China and overseas countries, the Government has adopted some COVID-19 epidemic strategies and isolation policies which have weakened the ease of travelling to and from Hong Kong, testing Hong Kong's role as a regional headquarters for multinational companies in the Asia-Pacific region and causing a brain drain, with some talents going to Singapore or Dubai. Many foreign financial institutions even prefer to send their staff to the Mainland to handle their business in person despite the 21-day quarantine requirement. The situation is also reflected in the latest global competitiveness report of the International Institute for Management Development in Lausanne, Switzerland, where Hong Kong's ranking as a "labour market" has dropped sharply from the 8th last year to the 20th. I urge the Government to expeditiously formulate a roadmap for quarantine-free travel to maintain our competitiveness, appropriately relax the quarantine arrangements for overseas arrivals, and, on the basis of further improving local epidemic management, discuss with the Mainland the resumption of quarantine-free travel arrangements in a "closed-loop", point-to-point manner. At the same time, the Government must be more proactive in promoting Hong Kong and snatching back business, for example, by attracting Southeast Asian companies to list in Hong Kong after joining the Regional Comprehensive Economic Partnership Agreement. It is important not to take it for granted that the lost talents and businesses will be automatically recovered once the epidemic subsides.

Secondly, in the face of fierce competition from other financial centres, Hong Kong should have a sense of crisis. As the saying goes, "We must be strong to forge iron." The best way to recover lost businesses and talents is to continue to strengthen Hong Kong's competitiveness. This will require not only the Government to step up its efforts to promote the development of our financial system in the direction of diversification and sustainability, but also the support of digital infrastructure and our tax regime and talent policy. In my view, the two major directions of development that can be explored in depth are offshore Renminbi business and green and sustainable finance. Take green and sustainable finance as an example, Hong Kong needs to solve the pain point of lacking uniform standards for green finance, and actively train relevant talents to actively grasp the opportunities of climate investment in Asia in the next 30 years, which will reach HK\$514 trillion, and explore the establishment of a carbon trading market in the Greater Bay Area to support the national "3060" carbon reduction target.

Lastly, I would like to point out that in the face of international geopolitical influences, apart from seizing the opportunities arising from the return of China Concept Stocks, the Government, as a fully open financial centre, must consider forward-looking proposals to cope with financial battles and safeguard the financial security of Hong Kong.

President, I support Mr Jeffrey LAM's original motion and the amendments. I so submit.

MR DUNCAN CHIU (in Cantonese): President, I have to thank Mr Jeffrey LAM for proposing this original motion in a timely manner. In maintaining and enhancing the competitiveness of Hong Kong, technology has become increasingly important, and fintech has become a new industry in Hong Kong in recent years. Therefore, attracting technological talents, especially fintech talents, is very important in maintaining our competitiveness.

In a recent interview with the media, the Chief Executive of the Hong Kong Monetary Authority ("HKMA"), Mr Eddie YUE, mentioned that he was very worried about the massive brain drain from Hong Kong. HKMA's staff turnover rate last year alone was already as high as 7%, much higher than the previous average of only 3% to 4% per year. The loss of talents with technology background is particularly serious. In a survey on talent development in the banking and financial services industry conducted by the Hong Kong Institute of Bankers in the middle of last year, 82% of the respondents considered technology and data skills to be the biggest skills gap in the local banking and financial services industry.

Regarding the problem of local talent drain, I have repeatedly raised it in this Council in the past, hoping that the Government would address it early and take proactive measures to enhance Hong Kong's global competitiveness and attractiveness in respect of talents. As to how Hong Kong should retain existing talents through local training and attract more Mainland and foreign fintech professionals to come to Hong Kong for development, it will be a major challenge for the next-term Government.

President, in mid-April this year, The Hong Kong University of Science and Technology announced the findings of an in-depth study on the development of

fintech and, in respect of talent training, put forward three recommendations to strengthen the development of fintech in Hong Kong, including: (a) create a compulsory internship scheme specific to fintech students to prepare students to meet future market demand; (b) establish a stronger certification link between Continuing Education Fund, Qualification Framework and internship schemes to promote on-the-job training opportunities; and (c) review the overseas talent scheme and allow more flexibility, including remote work approval, for fintech companies to hire overseas fintech talent. These are all very good suggestions and I think they are worthy of the Government's reference.

Local universities and the Hong Kong Applied Science and Technology Research Institute ("ASTRI") have also launched a number of training initiatives for fintech talents in the past, including the signing of a Memorandum of Understanding between ASTRI and the University of Hong Kong ("HKU") in 2020 to provide 30 first-year students of HKU's MSc programme in FinTech and Data Analytics with full-time employment for nine months, so that they can participate in ASTRI's fintech-related practical work on a work-study basis. ASTRI is also collaborating with the Hong Kong Science and Technology Park and Molecular Hub, to offer a three-month blockchain accelerator programme. The goal is to promote the development of blockchain technologies and the application of smart city solutions, which will lead to more research achievements, especially in fintech development, in the entire Greater Bay Area.

I think these initiatives and plans are excellent, as they can fill part of the fintech talent gap in Hong Kong and nurture a new generation of fintech talents, but after all, the supply is short of the demand, and we still need to make up for it through other channels, such as the Technology Talent Admission Scheme and the Research Talent Hub to attract overseas talents. I hope that the Government will expeditiously issue visas to successful applicants under the Technology Talent Admission Scheme and comprehensively review the implementation of various technology talent admission schemes, streamline the procedures and relax the eligibility criteria, for example, consider whether the requirement that only graduates from the top 100 universities in the world can participate in the Research Talent Hub is necessary. Also, a question which I have asked before is, whether it is possible to replace the requirement of making an application by name to making it by the number of participants, so that enterprises will have more flexibility in making applications.

In addition, I also suggest that the Government should change its practice and let independent persons and industry experts take charge of and participate in the vetting and approval process of various technology talent admission schemes. I believe this will speed up the process and make it more effective. At the same time, the Government should consider relaunching the scheme for investment immigrants, i.e. the Capital Investment Entrant Scheme (“the Scheme”) introduced in October 2003. The initial investment threshold was HK\$6.5 million, but was later raised to HK\$10 million, and the Scheme ended in January 2015, with more than 35 200 successful entrants. If the Government relaunches the Scheme, it may consider opening it up to Mainlanders first. Can the investment threshold be raised to HK\$30 million or higher after so many years? Even with a raised threshold, I believe many quality Mainland talents will still be willing to come to Hong Kong for development; and the local economy can be stimulated at the same time.

President, a sound financial regulatory system, and the support of government policies and measures (*The buzzer sounded*) ... I so submit.

PRESIDENT (in Cantonese): Mr Duncan CHIU, please stop speaking.

Mr CHAN Kin-por, please speak.

MR CHAN KIN-POR (in Cantonese): Thank you, President. In the face of fierce global competition and rapid changes in the international landscape, Hong Kong’s status as an international financial centre will be further challenged. If Hong Kong is to maintain its edge, it must enhance its competitiveness. I am grateful to Mr Jeffrey LAM for proposing this motion today to give us an opportunity to discuss it.

Before its return to the Motherland, Hong Kong has become an international financial centre and an international centre for commerce and trade with an open market, sound legal and taxation systems, a stable social order, and an efficient administrative structure. Since its return to the Motherland, Hong Kong has faced many challenges, especially the political turmoil created by the opposition, which has hindered Hong Kong’s development and even discouraged investors, making Hong Kong much less competitive than before. At the same time, the recent hostile policies adopted by Western countries against China will surely make Hong Kong suffer. If Hong Kong is to maintain its international competitiveness and

continue to make contributions to the country and the people of Hong Kong, it must not only actively integrate into the overall development of the country, but also consolidate its status as a financial centre and a centre for commerce and trade.

Today, a number of Members have put forward their proposals, including expeditiously discussing quarantine-free travel arrangements, expediting the promotion of fintech and green finance, enhancing the regulatory regime, regularly assessing the inadequacies, and telling a good Hong Kong story to international investors. I agree with all of them and will not repeat them. I would like to analyse the problems facing Hong Kong from a more macro perspective. Before its return to the Motherland, Hong Kong adopted a policy of positive non-intervention, believing that the Government would naturally attract investors if it did a good job in developing its hardware, without intervening in the market or actively soliciting investors. To use an analogy, a person has opened a shop and believes that if the goods are put on show, customers will naturally come, without the need for marketing and active solicitation of customers. This kind of thinking is out of touch with the times. In fact, Hong Kong has conducted studies on many development projects over the years, but they were eventually aborted due to a lack of investors' participation.

Frankly speaking, when it comes to investment promotion, the State is certainly an outstanding example, but Hong Kong's competitor, Singapore, is also a model for Hong Kong to learn from. At present, Singapore may still be inferior to Hong Kong in terms of its stock market, but it is not any weaker in other areas such as financial services or business and trade, and is even better than Hong Kong in many respects. It is important to know that Singapore does not have the advantage of being backed by a motherland, nor does it have any natural resources, but it does have a proactive and aggressive government.

The Government of Singapore has set up an agency called the Economic Development Board, which is specifically responsible for promoting investment and organizes more than 10 investment promotion activities every year; for important investment promotion activities, the ministers and even prime minister-level officials will lead the teams to contact investors around the world. At the same time, the agency also helps enterprises to expand their business in Singapore, and go around the world to recruit elite talents for enterprises. In addition, Singapore offers special incentives to encourage investment, such as tax incentives for up to 10 years for innovation and technology enterprises, as well as tailor-made incentives for other enterprises in different situations. Besides, the Government of Singapore will encourage foreign securities to enter its market,

actively develop new financial derivative products, and even recruit foreign enterprises to issue stocks or bonds in Singapore. As a result, Singapore has successfully built up a headquarters economy and developed into an international financial centre.

In contrast, although Hong Kong has made some progress by launching international publicity and promotion and introducing some preferential measures, the Hong Kong Government is still conservative in its mindset and does not directly solicit or invite enterprises to come to Hong Kong, nor does it offer tailor-made preferential measures for different enterprises. As a result, Hong Kong is often at a disadvantage when competing with Singapore, and in recent years has lost a lot of business to Singapore. I hope that the new Government will formulate a brand new policy and ask the relevant official and quasi-official organizations in Hong Kong to take up the responsibility of promoting investment, adopt a more proactive and aggressive attitude, organize international investment promotion activities in response to the situation, and take the initiative to solicit international enterprises to invest in Hong Kong.

Thank you, President.

MR FRANKIE YICK (in Cantonese): President, Hong Kong's status as an international financial centre is closely related to its four existing industries with competitive edges, including the shipping industry which consists of the trading and logistics industry, and the emerging innovation and technology industry. Therefore, the SAR Government must further strengthen and consolidate Hong Kong's status as an international financial centre.

Eighty percent of the world's cargo is transported by sea. According to the latest statistics from the Baltic and International Maritime Council, the number of orders for the construction of container ships has reached a 15-year high with more than 6.5 million twenty-foot equivalent units ("TEUs"), which is equivalent to 325 mega container ships if each ship carries 20 000 TEUs. With the increasing demand for carbon reduction in the shipping industry, many old ships need to be replaced and the number of new ships to be built is expected to continue to increase, which will drive the ship finance business. In the past, ship finance was mainly provided to the shipping industry by traditional banks in Europe, but as ship ownership and shipbuilding activities gradually shift to Asia, Hong Kong should seize the opportunity to develop ship finance and leasing business.

As an international financial centre, Hong Kong has a sound financial infrastructure that can meet the needs of shipping companies to raise capital for ship construction. Therefore, if the SAR Government can strengthen and consolidate Hong Kong's status as an international financial centre, it is believed that this will help to attract more ship finance and leasing business to Hong Kong, making Hong Kong an important ship finance centre, which is conducive to the development of Hong Kong's high-end shipping industry and the expansion of its maritime cluster, including ship management, shipping agency, ship finance, maritime insurance, ship registration, legal services and maritime arbitration.

In order to implement the initiatives in the 14th Five-Year Plan and the development of the Guangdong-Hong Kong-Macao Greater Bay Area to support Hong Kong's development as an international shipping centre, the SAR Government has implemented the provision of tax concessions to ship leasing and marine insurance businesses; and the bill to give a qualifying shipping commercial principal (i.e. a qualifying ship agent, qualifying ship manager or qualifying ship broker) tax concessions was read for the first time just yesterday. All of these measures will facilitate foreign-invested enterprises to settle in Hong Kong. Therefore, the Liberal Party supports the Government to provide a more competitive tax regime, including studying the provision of tax concessions to traders who carry out merchandise trading of significant value, so as to attract such traders to settle in Hong Kong and increase the demand for shipping services in Hong Kong, thereby further expanding the maritime cluster in Hong Kong.

In terms of talent, Hong Kong ranked second in Asia in the Global Talent Competitiveness Index published in 2021, but fell from the 6th to the 20th in the international ranking. Talent is a key element in promoting the sustainable development of the economy and industries, but Hong Kong's shipping industry has been facing the problem of succession gap. In order to solve the problem of talent shortage, the Government has set up the Maritime and Aviation Training Fund, which aims not only to enhance the professional level of the in-service practitioners, but also to attract new blood to the industry. The Government should also draw reference from the Hong Kong International Aviation Academy and set up a "maritime academy" for the shipping industry, so that young people can receive early professional training to meet market needs. As long as there are development opportunities, talents from all over the world will naturally be attracted to Hong Kong. However, in the global war for talents, if the Government can provide more preferential measures, such as tax concessions, it will help attract more overseas talents to Hong Kong and contribute to the industry.

Under the epidemic, the Government has adopted stringent isolation measures to “guard against the importation of cases”. Although the measures have been relaxed with the increase in vaccination rate and the subsidence of the epidemic in Hong Kong, our isolation measures, as compared to other countries, still discourage people from coming to Hong Kong, whether for tourism or business; and dampen the enthusiasm of some foreign investors to invest in Hong Kong. Recently, the Hong Kong Shipowners Association told me that some of its members are planning to withdraw from Hong Kong. If the situation persists, it will have an impact on Hong Kong’s economic development and even its status as an international financial centre. I hope the SAR Government can relax the quarantine arrangements as soon as possible.

President, I so submit.

MR LOUIS LOONG (in Cantonese): President, I am grateful to Mr Jeffrey LAM for proposing this motion debate.

The National 14th Five-Year Plan explicitly supports Hong Kong in enhancing its status as an international financial centre. The Ministry of Finance has issued Renminbi (“RMB”) sovereign bonds in Hong Kong for 14 consecutive years since 2009, and the first batch of bonds totalling RMB7.5 billion for this year was just issued yesterday, fully demonstrating the Central Government’s support for Hong Kong’s status as an international financial centre.

Referring to the latest Global Financial Centres Index Report published in March this year, Hong Kong maintained third place in the overall ranking among 119 cities in the world, behind New York and London. However, there is only a one-point difference in the total score between these financial centres from the third to the eighth rank. In the face of the complex and volatile political and economic environment in the international arena coupled with the epidemic of the century, we cannot be complacent and must be prepared for danger in times of peace.

Over the past two years or so, the Government has implemented strict immigration quarantine measures in accordance with the principle of “guarding against the importation of cases”, which, coupled with the “flight suspension mechanism”, has seriously affected the flow of people and goods both locally and across the border, making it difficult for the real economy to move forward. The Chief Executive pointed out in last week’s Question and Answer Session that on the basis as discussed with the Mainland last year, implementation of quarantine-free travel arrangements is not in sight in the near future, and is

therefore only a remote aspiration. However, by virtue of our financial infrastructure, the flow of capital and information in the market has remained smooth during the epidemic.

On the fintech front, I note that the Hong Kong Monetary Authority is developing the Commercial Data Interchange (“CDI”) and has started a study on e-HKD, and the Mandatory Provident Fund Schemes Authority is also working on the development of the eMPF Platform. On the Mainland, digital RMB issued by the People’s Bank of China has been operating in a number of provinces and cities on a pilot basis since the end of 2019.

Therefore, I support the four proposals put forward by Mr Jeffrey LAM in his original motion. In addition, to strengthen and consolidate Hong Kong’s status as an international financial centre and enhance its competitiveness, I think one more proposal should be added, namely, expediting the improvement of financial infrastructure facilities.

Last July, on the first day of registration for electronic consumption vouchers, people had to wait more than an hour to log in to the “iAM Smart” platform, and the identity verification function failed for some time. After only a short period of three months, the “iAM Smart” system again required emergency repairs due to abnormal software operation, and the service was disrupted for about 12 hours. In the same month, the Faster Payment System originally scheduled for 5 hours of system maintenance, but because of some unforeseen circumstances, 10 hours were finally taken to resume service. Just last week, the network of a major bank in Hong Kong went down on two separate days, resulting in suspension of online banking and ATM services. Although these incidents occurred on different network platforms, they serve as a reminder that the risk management and network security of financial infrastructure should not be overlooked.

President, “Enhance Hong Kong’s international financial centre status and promote its core strengths” is one of the six core policies of the Chief Executive-elect. As the country’s international financial centre, Hong Kong must not fail in linking the domestic and foreign markets and channelling capital to support the country’s economic development. To this end, I urge the Government to expeditiously upgrade the financial infrastructure and safeguard financial security, so as to consolidate Hong Kong’s leading position as an international financial centre.

President, I so submit.

IR DR LO WAI-KWOK (in Cantonese): President, first of all, I would like to thank Mr Jeffrey LAM for moving the original motion and the other four Members for moving their amendments. The main purpose of the motion is to urge the SAR Government to formulate specific policies and measures to strengthen and consolidate Hong Kong's status as an international financial centre and enhance Hong Kong's overall competitiveness, which has all along been agreed and supported by me and the Business and Professionals Alliance for Hong Kong ("BPA"). However, it is difficult to understand why all the words of "properly address the business needs amid" and the word "various" in "to retain and attract talents in various sectors" are deleted in Mr Robert LEE's amendment.

President, in order to cope with the various new challenges in the global economic and trading environment, Hong Kong must develop diversified industries not only by nurturing new industries, but also consolidating the four pillar industries, including the financial services industry. Nevertheless, Hong Kong is facing fierce competition from other financial centres. Fortunately, we have the staunch support of our country, and the 14th Five-Year Plan clearly states that "Support Hong Kong in enhancing its status as an international financial, transportation and trade centre and an international aviation hub, and in strengthening its roles as a global offshore Renminbi business hub, an international asset management centre and a risk management centre". We should give full play to "capitalizing on Hong Kong's strengths to serve the country's needs", promote the diversified development of the financial sector, introduce a favourable business environment while maintaining market stability, promote financial innovation, and enhance the capability of Hong Kong's financial sector in serving the real economy.

In terms of specific development directions, Hong Kong can focus on two major areas of strengths and expedite the promotion of fintech and green finance.

Fintech refers to the use of information and communication technology ("ICT") to provide financial services. Apart from world-class ICT infrastructure, Hong Kong also has clear financial regulations and free flow of capital, which is a great advantage for fintech development and a help for developing network economy to benefit other industries. With the increasing exchanges and interactions among the cities in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"), Hong Kong's digital personal identity ("eID") and e-payment systems should seek interoperability with the relevant systems in GBA to facilitate the establishment of "a cross-boundary e-commerce platform". Hong Kong can

also leverage its international experience to help establish unified standards to facilitate the smooth flow of people, goods, information, capital and services in GBA.

Green economy transformation is another future trend. To attain carbon neutrality, the Government announced in the 2021 Policy Address that in the next 15 to 20 years, it will devote about \$240 billion to take forward various measures on climate change mitigation and adaptation. In fact, the development of green finance has become a strategic tool valued around the world, and this Council also passed a proposed resolution under the Loans Ordinance on 15 November 2018 to implement the Government Green Bond Programme, which I, as the Chairman of the Subcommittee on the proposed resolution back then, supported and was pleased to see. In addition, Hong Kong should strive to develop into a premier financing platform for green enterprises and projects. As the former Chairman of the Hong Kong Quality Assurance Agency (“HKQAA”), I understand that HKQAA is one of the leading certification bodies in the Asia-Pacific region and it has spared no effort in promoting the development of green finance and green projects in the region. It started the research and development work of the “Green Finance Certification Scheme” in 2016 to provide third-party certification services for green finance issuers, and officially launched it in March 2018. This has not only enhanced the credibility of green finance and the confidence of stakeholders, but is also conducive to promoting environment-friendly investment and facilitating the development of green finance and industries in GBA.

President, in order to consolidate Hong Kong’s status as an international financial centre, we must be vigilant in times of peace, and in balancing promotion of market development and prevention of financial risks, we should not overemphasize one at the expense of the other. We should also enhance network and data security, further optimize the financial regulatory regime, and formulate plans for preventing possible mega financial crises under the new development.

President, I so submit.

DR TAN YUEHENG (in Putonghua): Thank you, President. I also thank Mr Jeffrey LAM for his motion and the other Members for their amendments. Mr Jeffrey LAM’s motion proposes four points, including facilitating a business-friendly environment; reviewing the current tax regime; reviewing the talent policy and discussing quarantine-free travel arrangements. I agree to all of them. Here, I would like to echo with Mr LAM in two respects.

Firstly, we should foster a business environment that is more suitable for the development of the financial sector, both in terms of market development and regulation. After the promulgation of the Hong Kong National Security Law, the overall business environment of Hong Kong society is improving, but the business environment of certain industries is not optimistic. According to incomplete statistics, from the beginning of this year to the end of May, 31 securities companies in the Hong Kong market have already announced closures or suspension of business. This wave of business suspension in the securities industry is in fact a microcosm of the business environment in the financial sector, and it shows that other industries are also experiencing difficulties.

While the closure of enterprises is certainly a demonstration of survival of the fittest in the market in a way, it is worthwhile to follow up on how to support enterprises with resources and make appropriate adjustments to regulatory policies to improve the business environment in difficult times. On the one hand, Hong Kong's financial sector needs to make the pie bigger. In this regard, Hong Kong should make full use of its advantages of mutual access with other markets to expand the scope of mutually accessible products and the scale of capital to make new incremental markets; at the same time, we should promote digital transformation in Hong Kong's financial institutions for market development in the Mainland and overseas, and solve the problem of market expansion through remote witnessing for opening accounts and online trading, so that financial institutions can find new growth points regardless of their size. On the other hand, in terms of regulatory policy, the Government should strike a balance between regulation and development; provide certain policy support, technical assistance and fee waivers when the market is in a downward cycle, and give small- and medium-sized institutions certain market space for self-optimization and transformation, so as to improve the business environment of the financial sector.

Secondly, the Government should use means such as the taxation regime to enhance the attraction to professional talents. The Hong Kong market is generally attractive to financial talents, but the high cost of living has limited the willingness of outside talents to stay here in the long term. In the short to medium term, some specific measures should be put in place to retain and attract financial talents. We are pleased to see that in the distribution of the second batch of consumption vouchers, eligible non-permanent residents will be included in the scope of recipients. This will enhance the talents' sense of belonging and Hong Kong's attractiveness to them. Likewise, we propose to use this approach as a model in reviewing the tax regime.

Hong Kong's simple and low taxation regime is an existing edge that should be fully utilized to attract talents. At present, non-permanent residents are required to pay stamp duty at 30% for purchasing residential property. This stamp duty on residential property at 30% has to some extent offset the attractiveness of Hong Kong's low tax regime to talents, and prevented Hong Kong from giving full play to its traditional advantages instead. It is suggested that talents, professionals, innovation and technology talents and other groups eligible to become permanent residents should first pay the stamp duty at 30% on purchasing their first home before they become permanent residents, and upon becoming permanent residents, the extra 25.75% paid, calculated on the basis of the current maximum rate of 4.25% on purchasing the first home, should be refunded to them. In other words, they pay the tax first and get a refund afterwards. If a person does not become a permanent resident after buying a home, the issue of refund does not arise, and the rate remains at 30%. To the professionals, this practice will allow them to acquire their first property early, live and work with contentment and free them from the worries of living; to the Government, the initiative will not incur loss of revenue, but will be conducive to retaining talents and enhancing the competitiveness of Hong Kong as a financial centre.

In fact, the United Kingdom, Australia and Singapore have similar tax rebate policies and arrangements. It is suggested that Hong Kong should also draw on these experiences and offer more tax incentives to talents in short supply, so as to strengthen and consolidate Hong Kong's status as an international financial centre and enhance its competitiveness.

President, I so submit.

MR CHAN YUNG (in Cantonese): Thank you, President. I very much agree with Mr LAM's motion on "Strengthening and consolidating Hong Kong's status as an international financial centre and enhancing its competitiveness".

As we can see, for example, during the two Sessions, State leaders, especially Vice Premier HAN Zheng, encouraged Hong Kong in person to consolidate its status as an international financial centre and international innovation and technology centre. Hong Kong's function and status as an international financial centre is unparalleled and irreplaceable in recent history for the reform and opening up of our country and the development of Hong Kong. Therefore, this is one of the most precious functions to our country and one of the greatest functions of Hong Kong.

We can see that the new Chief Executive John LEE, “Brother Chiu”, has also made it very clear in his election manifesto that we have to enhance our overall competitiveness and pursue sustainable development. After considering the views of various sectors, the Democratic Alliance for the Betterment and Progress of Hong Kong proposes that the key to integrating into the overall development of the country and developing Hong Kong’s economy is to enhance Hong Kong’s status as an international financial centre, particularly when we see that the world is unstable and there are wars at present. When many people want to find a way out for their capital, their primary considerations must be safety and stability. The performance of Hong Kong and the Greater China region in this regard is one of the best in the world; and of course, some capital may return to the United States. At this time, it is even more important for us to enhance the protection of international capital and talents in the international financial centre, so that we can start afresh and take off again, especially after the epidemic.

I would also like to mention some other details, such as a business-friendly environment. We hope that the relevant government departments can “remove barriers and restrictions” to achieve more in a fast, efficient and economical manner, so that Hong Kong’s status and functions as a business-friendly international financial centre can be strengthened, thereby becoming more conducive to attracting international talents and capital from all walks of life.

In addition, safety is certainly the main focus, in “guarding against the importation of cases and the resurgence of domestic infections”. During the gradual resumption of normalcy, especially externally, we insist on gradual opening up under safe conditions. As for internal communication, that is, resumption of quarantine-free travel arrangements, we think it should be vigorously promoted. In particular, the Chief Executive and the SAR Government of the new term can draw reference from our practice when holding the two Sessions. The HKSAR deputies to the National People’s Congress and the HKSAR members of the Chinese People’s Political Consultative Conference were tested and vaccinated in Hong Kong; they were strictly isolated for seven days after crossing the border; and then went to Beijing and stationed there in a “closed loop” for the meetings. There was zero infection throughout the two Sessions. This safety model is similar to the space capsule, and the Government, especially the new Chief Executive, should vigorously promote it, and step up discussions with the Mainland so that when quarantine-free travel arrangements are resumed, people can see that Hong Kong being able to connect to the Greater China region and the rest of the

world is the only key to helping the economy of the whole country and Hong Kong to recover and sustain development expeditiously. We are confident about it and hope that promotion in this regard will be further expedited and stepped up.

In terms of attracting talents, we have noticed the growth of many Members of the Legislative Council. Although many of them were born and raised in Hong Kong and are permanent residents, their growth and development include training and experience in the Mainland and the international arena. This proves that Hong Kong is capable of attracting more talents, but it must also provide talents with convenience for living and more business and development opportunities.

In addition, the National 14th Five-Year Plan states that it is hoped that Hong Kong will play a more important role in the external circulation. In this regard, we can foresee that in the future, Hong Kong will be irreplaceable, as President XI said. We hope that in this respect, we can work together to enhance, strengthen and consolidate Hong Kong's status as an international financial centre, enhance our competitiveness and create more jobs and opportunities for the better development of Hong Kong people and young people. Thank you, President.

MR LAM SAN-KEUNG (in Cantonese): President, I support the motion proposed by Mr Jeffrey LAM and the amendments proposed by the four Members.

The financial sector is an important economic pillar of Hong Kong. The National 14th Five-Year Plan has established Hong Kong's status as an international financial centre, a global offshore Renminbi business hub, an international asset management centre, and a risk management centre. Under the economic development concept of "dual circulation", Hong Kong can actively become a participant in the "domestic circulation" and a facilitator in the "international circulation".

Since the beginning of 2022, Hong Kong's financial sector has faced various risks. According to the Global Financial Centres Index released in March this year, although Hong Kong still ranked third with 715 points, Shanghai ranked fourth with a difference of only one point and may overtake Hong Kong very soon. The outbreak of the COVID-19 epidemic at the beginning of the year has also dealt a heavy blow to Hong Kong's economy. In the first few months of this year, only about 22 new stocks were listed in Hong Kong, the capital raised amounted to \$17.1 billion, representing a drop of more than 90% compared with the same period

last year. According to an estimate of one of the Big Four accounting firms, the amount of capital raised from listing in Hong Kong this year will be 40% less than last year. The loss of talents in the financial sector, the continuous denigration of Hong Kong by foreign forces, and their attempts to undermine the rule of law and even sanctions against Hong Kong, have a negative impact on our financial sector.

However, risks are always accompanied with opportunities all over the world, and Hong Kong is no exception. Under the conflicts between China and the United States (“US”), many China Concept Stock companies will probably switch back to listing in Hong Kong. The economic stagflation in Europe and US may return; the United Kingdom is considering stripping the British Virgin Islands of their autonomy or forcing the new government to make major reforms; the European and American governments are using the Russian-Ukrainian war as an excuse to arbitrarily confiscate the assets of the wealthy and undermine the basic principle of capitalism to protect assets. All these international events, if viewed from another perspective, are indeed opportunities for Hong Kong. Hong Kong must strive to become a haven for international capital.

However, money will not fly into our wallets on its own. The Government must be proactive and create a good business environment to resist possible sanctions by foreign powers, and help Hong Kong’s financial sector and related professionals to prepare themselves and enhance the competitiveness of the financial profession. Therefore, I call on the relevant bureaux of our Government and the relevant financial services industries or professions to take responsibility for promoting their business development.

In addition, I would like to make the following suggestions to the Government.

Firstly, the number of confirmed cases of infections has increased in recent days. The Government must do its utmost to stop the sixth wave of the epidemic, in the hope of making achievements in its anti-epidemic efforts, so that there will be a chance of early resumption of quarantine-free travel arrangements with the Mainland. As long as quarantine-free travel arrangements are not resumed, Hong Kong will remain “out of luck”.

Secondly, tax concessions should be offered to enterprises of Belt and Road countries wishing to establish their presence in Hong Kong, with a view to enabling Hong Kong to become a gateway of the country’s Belt and Road Initiative.

Thirdly, we should streamline the procedures for companies to apply for listing in Hong Kong. Many lawyers have complained to me that the Hong Kong Stock Exchange asks more questions and requests more documents from companies applying for listing than are necessary to protect the actual needs of investors, the approach of which is not conducive to the listing of promising companies in Hong Kong.

Fourthly, the Government's internal tendering guidelines, especially for professional services related to the financial sector, should include provisions for local talents and give priority to local enterprises and talents. Only by reserving opportunities to local talents can we nurture them in Hong Kong. Hong Kong must build up an adequate pool of professionals in order to prevent foreign forces from imposing sanctions on Hong Kong and to safeguard the sound operation of Hong Kong's financial sector.

Fifthly and lastly, we should study with the Central Government to allow foreign nationals who have been granted work visas or come to Hong Kong to set up companies, that is, foreign non-permanent Hong Kong residents, to apply for Hong Kong and Macao Residents Entry and Exit Permits. This will at least facilitate international talents to use Hong Kong as their base, enjoy the low tax concessions of Hong Kong, and travel in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") to work, making Hong Kong a hub of international talents and facilitating the development of GBA.

President, it has been 25 years since Hong Kong's return to the Motherland. The Government should abandon the "positive non-intervention" policy of the colonial era and the self-deprecating mindset of "English-speakers are better". I once again call on our Government to actively attract foreign capital to Hong Kong and at the same time nurture local financial professionals in Hong Kong, so as to enhance our competitiveness and strengthen and consolidate our status as an international financial centre.

President, I so submit.

DR JOHNNY NG (in Cantonese): President, I speak in support of Mr Jeffrey LAM's motion today. In the future, the SAR Government must strengthen its economic development measures to integrate into the overall development of the country, capitalize on the advantages of "one country, two systems" and actively explore the enormous opportunities brought about by the domestic and

international “dual circulation”. The National 14th Five-Year Plan supports Hong Kong, as in the past, in consolidating and enhancing its competitive advantages, and clearly defines Hong Kong’s new positioning as a major centre/hub in eight areas, with unlimited opportunities in the future.

In recent years when global trade protection and unilateralism have been on the rise, Hong Kong as a highly open city should adhere to trade multilateralism; and Hong Kong has sufficient conditions to join RCEP (Regional Comprehensive Economic Partnership). I hope that Hong Kong will join RCEP as soon as possible to enhance its advantages. At the same time, the SAR Government should make good use of the country’s support for the four “traditional centres” and the positioning of the four “emerging centres/hubs” to deepen the cooperation among Guangdong, Hong Kong and Macao and take a leading role.

I would now focus on the issue of talents. To strengthen and consolidate Hong Kong’s status as an international financial centre and enhance its competitiveness, talents are essential. In particular, Hong Kong is facing the problems of an ageing population and a declining fertility rate, coupled with the brain drain caused by the mass migration in recent years and the challenges of increasingly fierce global competition for talents. In the future, the SAR Government must strengthen its measures in three areas: retaining talents, attracting overseas professionals to develop in Hong Kong, and nurturing local talents, so as to enrich the talent pool of Hong Kong. Only by doing so can we enhance our competitiveness and consolidate our status as an international financial centre.

Last week, I raised a written question on the issue of talents at the meeting of the Legislative Council. In the reply, the Secretary for Labour and Welfare pointed out that the Government did not have direct statistics on emigration of Hong Kong residents, and could only state that according to the net movement figures of Hong Kong residents (i.e. inflow of Hong Kong residents less outflow) announced half-yearly, a net outflow of 96 000 Hong Kong residents was recorded in 2020 and a provisional figure of 27 000 was recorded last year. The Government will continue to strengthen its effort in explaining the prospects and opportunities of Hong Kong to the public, so that they will be willing to stay and contribute towards Hong Kong’s development. There are voices in the community that the number of Hong Kong people migrating from Hong Kong may be even higher. I think it is not enough for the SAR Government to strengthen its effort in explaining the prospects and opportunities to the public; it should do more to plan for the future development of Hong Kong.

I agree with the proposal of reviewing the talent policy in Mr Jeffrey LAM's original motion. However, in order to optimize the talent policy, we must first compile more comprehensive, complete and systematic statistics, so as to better grasp the data on talents in Hong Kong, including the outflow and inflow of talents, the industries with shortage of talents, etc., to diagnose the problems of Hong Kong and understand the real situation of the community, with a view to formulating and enhancing the relevant policies to promote the development of Hong Kong.

President, I have noticed that in the past year, there is indeed a shortage of talents in the innovation and technology ("I&T") sector and the cultural sector where I work. Some people may be affected by the epidemic, and others may be confused about the future prospects of Hong Kong. In any case, there is a chance that the shortage will affect Hong Kong's diversified economic development in the long run. I hope that the SAR Government will do more to attract talents to the professions.

To give an example, I signed a joint petition earlier with 10-odd Members of the Legislative Council and 32 organizations to urge the SAR Government to distribute consumption vouchers to non-permanent residents who have paid taxes and made contributions but have not yet stayed in Hong Kong for seven years. A few days ago, the Financial Secretary accepted the good advice. The new arrangement will make these talents feel that they are valued.

In fact, many regions attach great importance to their efforts in attracting talents. For example, Singapore is actively attracting companies, investors and students from all over the world, and the United States ("US") has measures in place to attract top talents in different fields to develop there in order to provide real contributions to US.

In order to continue to attract global capital and multinational talents, I think the SAR Government can provide more tax concessions and cash benefits, including considering the reinstatement of policies such as investment immigration, so as to attract projects and talents needed by Hong Kong in I&T, finance, etc. from the international world to come to Hong Kong for development with special concessions.

In addition, the SAR Government should take a more proactive role in lobbying and publicizing in the international arena and explain in response to the

false criticisms made by some people overseas against Hong Kong in recent years, so as to uphold the image and status of Hong Kong as an international financial centre and ensure a favourable business environment.

Thank you, President. I so submit.

MR LAI TUNG-KWOK (in Cantonese): President, as I said last week during the discussion of Dr Wendy HONG's motion, maintaining Hong Kong's status as an international financial centre is a provision written into the Basic Law, a task entrusted to us by our country, a challenge we have to face in the long run, and it is not easy at all.

Today, it seems that the greatest challenge facing Hong Kong for the time being is the brain drain. Over the past year or two, there have been negative information about the number of Hong Kong people emigrating, selling their properties, resigning, withdrawing from studies, and permanently withdrawing their MPF accrued benefits reaching record highs, and that the Hong Kong Monetary Authority even made appointments with senior executives of banks to discuss the departure of some senior bankers from Hong Kong one after the other. Even the Chief Executive said in a press conference at the end of March this year that "the brain drain in Hong Kong" is "an indisputable fact".

When officials respond today, they will probably refer to the General Employment Policy and the Admission Scheme for Mainland Talents and Professionals ("ASMTTP"), which they like to mention, and say that after recording a decline in the figures in 2020 due to the epidemic, the decline stopped and there was a rebound in 2021, to prove that Hong Kong is still very attractive to professionals. However, after attracting the talents to Hong Kong, can we retain them?

I will cite three pieces of information from a Research Brief prepared by the Research Office of the Legislative Council Secretariat in 2020 as follows. Firstly, according to the figures of the Immigration Department, it is estimated that only 12% of talent under ASMTTP would eventually become a permanent resident after residing in Hong Kong for seven years.

Secondly, in the 10 years from 2010 to 2019, the number of expatriates in Hong Kong from the United States, the United Kingdom, Australia, Canada, etc. has decreased from 72 784 to 50 394.

Thirdly, the number of student visas issued by the Immigration Department for Mainlanders surged by about 65% between 2015 and 2019, but the number of Mainland entrants under the Immigration Arrangements for Non-local Graduates increased by a modest 2% during the same period, reflecting that more and more Mainland students have chosen to leave Hong Kong after graduation.

I understand that Hong Kong has always been a very open economy and it is natural for talents to come and go, and I am not asking most of the talents who have come to work in Hong Kong to stay here for development. The percentage of foreign and Mainland professionals leaving Hong Kong is relatively high, is it because the people feel that Hong Kong's reputation is exaggerated after coming to work in Hong Kong and there are better development opportunities in the surrounding areas? The authorities should identify the shortcomings and seek to remedy them.

In the short term, the way to reduce the departure of talents from Hong Kong must be to expedite the implementation of quarantine-free travel arrangements. Many foreign and Mainland professionals have a compelling need to return to their hometowns for family visits or vacations, but have to be isolated when they return to Hong Kong, and flights can be suspended at any time. After they have returned to their hometowns, it may really be difficult to motivate them to stay and work in Hong Kong; they will simply go to another place for development.

Last week, Mrs Regina IP asked the Chief Executive about quarantine-free travel arrangements with the Mainland during the Chief Executive's Question and Answer Session. Unfortunately, the Chief Executive's response was only that if the basis for quarantine-free travel arrangements as discussed at the end of last year remained, she believed that such arrangements would not be possible in the near future.

Fortunately, when the Chief Executive-elect John LEE was the Chief Secretary for Administration, he had repeatedly discussed quarantine-free travel arrangements with Mainland officials on behalf of the SAR Government. He has a good understanding of the public's aspirations and demands for quarantine-free travel arrangements, which will certainly help expedite the implementation of quarantine-free travel arrangements between Hong Kong and the Mainland.

Lastly, I would like to briefly discuss the proposal of “considering the formulation of a more competitive tax regime” in the original motion. In June last year, a historic agreement was reached at the meeting of the Group of Seven (G7) finance ministers to set the world’s lowest corporate tax rate at 15%. This proposal has since been followed up by the Organisation for Economic Co-operation and Development (OECD) and the Group of Twenty (G20). Hong Kong is currently charging tax rates of 16.5% and 15% for corporations and sole proprietorships or partnerships respectively, it should not be affected too much by the proposal, but against this background, does Hong Kong still have the conditions to attract talents, enterprises and capital to settle in Hong Kong by reforming the tax regime? I have some doubts about it.

Thank you, President.

MR JIMMY NG (in Cantonese): President, first of all, I would like to thank Mr Jeffrey LAM for proposing such a meaningful motion in a timely manner. As we all know, the financial services industry is the mother of all industries, providing capital as the lifeblood for various trades and industries to revitalize Hong Kong’s economy; and as an international financial centre, the financial services industry has always been one of the most important economic pillars of Hong Kong, accounting for 23.3% of our Gross Domestic Product in 2020 and providing over 270 000 jobs. In short, strengthening and consolidating Hong Kong’s status as an international financial centre is not only a fundamental task of Hong Kong, but also one of the greatest contributions we can make to our country.

Recently, I heard the idea of “stopping the bleeding and letting it bleed” in relation to our anti-epidemic policy. On the one hand, we must implement measures to stop the bleeding so as to fully “guard against the importation of cases and the resurgence of domestic infections”. On the other hand, we must let it bleed. Despite a slight increase in the number of confirmed cases, the Government should not adopt the most severe anti-epidemic measures across the board because there are not many serious cases and deaths. I know this is a dilemma, but if it is not handled properly, it will indeed cause great disturbance to the public and the market.

For this reason, Mr Jeffrey LAM’s original motion and the amendments proposed by other Members actually share a common goal, which I have summed up with the expression of “facilitating a business-friendly environment and

implementing quarantine-free travel arrangements”. As for specific measures, I very much agree with Mr LAM’s proposal of “facilitating a business-friendly environment to properly address the business needs amid the epidemic” and another Members’ proposal of “relaxing the quarantine arrangements for overseas arrivals and reviewing the flight suspension mechanism in a timely manner, with a view to restoring Hong Kong’s connection with the Mainland and international markets as soon as possible”.

Hong Kong, with its good reputation as an international financial centre, is in now caught in the plight of bleeding for too long; and it is time to stop the bleeding. We should understand that the financial market has always been more vulnerable to external factors, and without a huge market itself, Hong Kong must rely on international capital. Besides, with the linked exchange rate and without full monetary sovereignty, Hong Kong has very limited ability and tools to cope with its problems in the short term. If we do not quickly resume free-quarantine international travel arrangements, a series of problems such as an outflow of foreign capital and an exodus of talents will even be exacerbated. This is exactly the result wanted by some countries with ulterior motives which have tried to encourage capital to leave China, which may eventually cause us to surrender our status as an international financial centre to others. Singapore, for example, has recently been actively grabbing financial capital and talents from Hong Kong, which is really worrying.

President, the Central Government has always been the strongest backer and biggest helper in strengthening and consolidating Hong Kong’s status as an international financial centre. On the 30th of last month, when Premier of the State Council LI Keqiang met with the Chief Executive-elect John LEE, he mentioned our status as “three international centres”. His original remarks are “support Hong Kong to consolidate and enhance its status as an international financial, trade and transportation centre, accelerate the development of an international innovation and technology hub, and enhance Hong Kong’s international competitiveness”. After all, the status as a financial centre ranks first among the “three international centres”, and I believe we can certainly live up to the expectations of the Central Authorities. President, I so submit.

MS CHAN YUET-MING (in Cantonese): President, I am very grateful to Mr Jeffrey LAM for proposing a Member’s motion on “Strengthening and

consolidating Hong Kong's status as an international financial centre and enhancing its competitiveness", so that we can start the discussion in the Legislative Council. I speak in support of strengthening and consolidating Hong Kong's status as an international financial centre, and I also hope that the SAR Government can enhance Hong Kong's competitiveness through a new development paradigm with South-North dual engine.

Hong Kong has become one of the world's highly competitive international financial centres because of the advantage of "one country, two systems": we have a robust legal system, a sound financial regulatory system, a simple taxation regime, and free flow of capital; in addition, Hong Kong is strategically located; with the support of the Motherland and frequent traffic connecting us with major cities around the world, Hong Kong has naturally attracted international financial institutions and talents to move in, thus continuously strengthening its advantages in banking, capital markets and asset management and gradually enabling it to become an all-round financial platform.

Benefiting from the preferential policies granted by the Motherland, Hong Kong has been able to develop offshore Renminbi ("RMB") business since 2004, and has since launched the Shenzhen-Hong Kong Stock Connect, Bond Connect and Shanghai-Hong Kong Stock Connect one after another to implement mutual access with the capital market of the Mainland. According to figures, the total market capitalization of Hong Kong's stock market has grown to HK\$40.1 trillion by 2021, with Mainland enterprises accounting for the high mark of 74.1%. Over the years, Hong Kong has become a major hub for Mainland enterprises to access the international market and the world's largest offshore RMB business centre, and has become a unique channel for foreign investors to access the Mainland market. The National 14th Five-Year Plan also supports Hong Kong in consolidating and enhancing its competitive edge, which will further promote the diversified development of Hong Kong's financial services industry. Simply put, Hong Kong not only has an inherent advantage in financial services, but has all along been supported by our country in its development.

Even though Hong Kong has an advantage as a financial centre, it needs a flexible, effective and dynamic policy mechanism to maintain its status as an international financial centre. For example, in 2013, there was a situation where a company could not be listed in Hong Kong because of its weighted voting right structures, and eventually the business had no choice but to be listed in the United

States. The fact that the rule was only relaxed five years later in 2018 reflects the need for Hong Kong to update its listing rules by constantly reviewing international trends and market needs.

Another example is that under the epidemic, there is the flight suspension mechanism governing Hong Kong's inbound and outbound flights. Originally, the SAR would strictly adhere to the good policy of "guarding against the importation of cases", but it has not been able to achieve "zero infection" after a long time. We have been fighting the epidemic for nearly three years now and quarantine-free travel arrangements with the Mainland have not been realized. Foreign talents are either stranded in Hong Kong or have to undergo isolation twice before entering the Mainland. As we are "falling between two stools", Hong Kong's advantage from its geographical location can no longer be maintained; thus, enterprises and talents have chosen to relocate to our competitors. According to a news report, about 25% of the member companies of the European Chamber of Commerce in Hong Kong are considering moving out of Hong Kong within a year.

I urge the Government to be resolute and determined in achieving "zero infection" so that quarantine-free travel arrangements with the Mainland can be implemented to save Hong Kong from the plight of "falling between two stools", otherwise Hong Kong's status as an international financial centre will soon be overtaken by our competitors.

To strengthen and consolidate Hong Kong's status as an international financial centre, I hope that the SAR will not only follow the instructions of the 14th Five-Year Plan, but also formulate a blueprint for financial development and set a timetable and targets for the long-term work.

In terms of enhancing competitiveness, the Government will proceed with developing "financial services in the south and innovation and technology ("I&T") in the north" under the "dual-core planning". Financial services are certainly the foundation of Hong Kong, but merely relying on them will only lead to homogeneity of industries in Hong Kong. The newly established Northern Metropolis will focus on the development of I&T industries to drive re-industrialization to promote the development of related industries. The objective is to serve as the hub of the Greater Bay Area and create a liveable, business-friendly and tourist-friendly urban space. I believe this will promote the balanced development of Hong Kong's industries, remedy the current imbalance of supply and demand in the employment market, and give fuller play to our

function as the window of the Greater Bay Area to help consolidate Hong Kong's financial services industry, thereby enhancing the overall competitiveness of Hong Kong.

I so submit. Thank you, President.

MS NIXIE LAM (in Cantonese): President, Dr Kennedy WONG is undergoing self-isolation and unable to attend this meeting. However, as he attaches great importance to this motion, I will speak on his behalf on this subject and I hope Members will take note of it.

As a renowned international metropolis and financial centre, Hong Kong has gathered many globally renowned enterprises and financial talents, all because of its unique advantage of having the support of the Motherland. The new-term SAR Government must consolidate this advantage, further enhance the attractiveness of Hong Kong in various aspects, and seize the strategic opportunities arising from the National 14th Five-Year Plan and the development of the Guangdong-Hong Kong-Macao Greater Bay Area, so as to further integrate into the overall development of the country. The current international political situation is very complex, and Hong Kong must grasp the changing situation and be prepared to deal with risks for the benefit of Hong Kong and the country.

Hong Kong as an international financial centre can provide the country with the necessary services in terms of investment products, regulatory control, corporate finance and treasury management. In developing a comprehensive range of financial products, the SAR Government should actively promote the development of a virtual asset trading centre, a commodity trading centre and a big data trading centre, in addition to pursuing the market of being a securities centre, a bond centre and a gold trading centre. The virtual asset trading industry has been developing rapidly around the world in recent years, with an increasing number of participating institutions and investors, and there are many different opportunities for virtual assets and technologies in financial innovation services. To facilitate the orderly development and operation of the virtual asset industry in Hong Kong, the Administration has recently conducted a consultation on regulatory measures, including the establishment of a licensing regime for virtual asset service providers; consideration of regulating “stablecoins”; and the provision of guidelines for traditional financial institutions in providing virtual asset-related services to their clients. I hope that the regulatory measures and legislation to be

introduced will balance the requirements of all parties to ensure that virtual asset transactions are subject to the laws, so that confidence in the market can be built for its sustainable, long-term and robust development.

Due to resource constraints, there is little bulk trading in the metals, energy and agricultural markets in Hong Kong, so our performance in terms of liquidity, product and service coverage in the bulk commodities market is not as good as the others. In 2020, the Hong Kong Exchange and Clearing Limited conducted a study on Hong Kong's bulk commodities market, proposing to establish cross-border product listing and licensing arrangements with Mainland exchanges, and then establish a trading mechanism to expand the scope of mutual access between the Hong Kong and Mainland markets to include commodities, so that participants in both markets can trade commodities across borders. The study will require close collaboration between Hong Kong and Mainland regulators to explore feasible options, but unfortunately no follow-up work has really been done since the study. The Mainland is one of the world's largest consumer markets for commodities, and the Hong Kong SAR is uniquely positioned to leverage its strengths to help the country develop the related markets.

The 14th Five-Year Plan supports the development of Hong Kong as an international innovation and technology ("I&T") hub, and proposes to nurture and strengthen emerging digital industries such as artificial intelligence, big data, block chain, cloud computing and cyber security in the era of digital economy. In terms of big data, Alibaba's Jack MA said that they collect data by selling things, and data is Alibaba's most valuable asset. The act of trading data allows enterprises or governments to find information through the trading platform, and information has a price. In compliance with the regulations, the Government should open up as much data as possible and quantify it through certain standards. This will help grasp a better understanding of customers' needs, facilitate precision marketing, acquire market intelligence and conduct risk assessment.

Since the Government wants to develop a digital economy and big data is one of the elements, it should make greater efforts in exploring the big data trading market and provide facilities and policy support. I believe this will contribute to the transformation of Hong Kong into a truly all-round financial centre offering a wide range of asset classes.

With these remarks, President, I support the original motion and all the amendments.

MR DOMINIC LEE (in Cantonese): President, first of all, I would like to thank Mr Jeffrey LAM for proposing this motion on “Strengthening and consolidating Hong Kong’s status as an international financial centre and enhancing its competitiveness”. As a world-recognized international financial centre, Hong Kong attracts many talents from all over the world to work and live in Hong Kong every year. Of course, due to the epidemic, the flow of talents and enterprises, whether from the Mainland or overseas, has recently been subject to many restrictions, thus seriously affecting the financial economy and development of Hong Kong in the past two years. Therefore, it is very timely for Mr Jeffrey LAM to propose this motion at this time to provide an opportunity for this Council to discuss this issue and find a way out.

As regards the proposals put forward in the motion, including expeditiously striving for quarantine-free travel arrangements with the Mainland; relaxing the quarantine arrangements for overseas arrivals when the epidemic eases further; and reforming the tax regime to attract professionals to register their enterprises and invest in Hong Kong, I strongly support them. In addition to the above proposals, we must also provide a suitable living environment in order to attract enterprises to send talents to settle in Hong Kong.

According to the report on Demographia’s 2021 housing affordability survey, the housing affordability rating of Hong Kong people hit rock bottom. I believe it is not necessary to speak any further on high property price, which is common knowledge. Thus, if the Government wants to recruit more professionals from all over the world to work in Hong Kong, it can draw reference from the Mainland’s measure and build “talent apartments” in the Northern Metropolis in the future to solve the housing problem for these people. In fact, the term “talent apartments” refers to housing units constructed and funded by the government which are provided for talents needed by the community. In terms of specific implementation, a scoring mechanism can be established according to the needs of the industries in Hong Kong, and the Government can consider selecting sites for the construction of “talent apartments” of different sizes and specifications to meet the needs of different families and individuals. In Shenzhen or Chengdu, for example, the “talent apartment” policy has started to show results since its implementation. Therefore, I think it is worthwhile to consider constructing “talent apartments” appropriately in line with the development of the Northern Metropolis.

It is hoped that the Government, as the policy maker, can strengthen exchanges with the financial sector in the future to better understand the needs of financial enterprises or professionals and their expectations of the Government, and to enable the financial sector to better understand the Government's policy objectives. Hong Kong is a world-renowned international financial centre with a low tax regime and a robust legal system. According to the latest World Competitiveness Yearbook released yesterday, Hong Kong is ranked fifth in the world. Therefore, if the Government can fully publicize and capitalize on Hong Kong's advantages by conducting talent recruitment campaigns through the Hong Kong Economic and Trade Offices in the Mainland and overseas and publicize our business environment, I am convinced that after the epidemic, we will certainly be able to attract many financial professionals and enterprises to return to work and live in Hong Kong.

I would hereby thank Mr Jeffrey LAM once again for proposing this motion. I so submit.

MR CHAN PUI-LEUNG (in Cantonese): President, Hong Kong's status as a leading international financial centre has long been widely recognized, but in recent years, Hong Kong has been facing the impact of other financial centres and the problem of brain drain of highly educated people. If we do not respond in time, there will be significant repercussions on Hong Kong.

The problem of brain drain in Hong Kong should not be overlooked. Hong Kong has the advantage of being "backed by the Motherland and facing the world", coupled with a simple tax regime and the internationally recognized rule of law standard, which are the reasons why many international financial institutions have set up their Asia-Pacific headquarters in Hong Kong. Under the epidemic, some companies have started to relocate their operations to Singapore, the positioning of which is similar to Hong Kong; and many middle and senior management staff of Hong Kong-based companies have applied to work in other regions. If they choose to work elsewhere, they will also move with their families, in which case I am afraid they may not choose to return to Hong Kong in the future, and the implications will be far-reaching.

Relocation of jobs and brain drain will have a knock-on effect. They will cause institutions to shift their focus of investment, resulting in capital loss in Hong Kong which will impact our status as an international financial centre. I think the

Government should, while strictly adhering to the principle of “guarding against the importation of cases and the resurgence of domestic infections”, appropriately adjust the quarantine requirements for people coming to Hong Kong from other regions in the light of the changes in the epidemic and taking into account the economic development factors, and expedite the implementation of quarantine-free travel arrangements with the Mainland so as to facilitate Hong Kong’s business activities with the Mainland and the international world.

In addition, the number of talents applying for entry into Hong Kong through various talent admission schemes has also decreased significantly in recent years. According to a study, only 12% of the talents who came to Hong Kong through the talent admission schemes applied to become Hong Kong permanent residents after seven years of residence in Hong Kong. This figure reflects the low willingness of non-local talents, especially those from the Mainland, to stay and develop in Hong Kong in the long run. Retaining talent is crucial to securing Hong Kong’s special status as an international financial centre. Talent is the most valuable resource for the development of a region, and global competition nowadays is ultimately “a war for talents”. Many of those who have come to Hong Kong through various admission schemes for professionals/talents work in the financial and technology industries. To capitalize on Hong Kong’s strengths to serve the country’s needs, we need these talents who are familiar with the Mainland and Hong Kong and have an international perspective. Therefore, it is necessary for the Government to review the current talent policies to facilitate more talents to come and stay in Hong Kong, so as to inject new impetus to our economic and social development.

At present, Hong Kong’s talent admission policy mainly focuses on increasing the admission quota, without offering any real incentive to attract talents to Hong Kong. Shenzhen, which is just across the river from Hong Kong, is actively providing different incentives and support measures to seize talents, including cash allowances, housing subsidies, business start-up subsidies, and even support measures in construction and education to comprehensively take care of the families of talents and their needs, so that they can feel at ease to take root and develop there.

On the contrary, some policies in Hong Kong even have “exclusionary” signals. For example, non-local talents who have lived in Hong Kong for less than seven years are also required to pay tax, but when they buy a property, they have to pay a 15% Buyer’s Stamp Duty, which reduces their willingness to stay in

Hong Kong. It is time for the Government to face squarely the problem of brain drain, review the relevant policies and plan its talent policy with a broader vision, so as to attract talents from all over the world in a more effective and focused manner, and entice them to stay in Hong Kong for development, thereby enabling Hong Kong to have greater international influence in the financial sector.

It is worth recognizing that the Government announced a few days ago that the eligibility criteria for consumption vouchers will be adjusted so that those who are eligible to become permanent residents of Hong Kong, such as talents, professionals, entrepreneurs, and those who have come to Hong Kong to study, will be given consumption vouchers in half value. I welcome this initiative and am glad to see that the Government is listening to views and sending out a signal that Hong Kong welcomes talents.

With these remarks, President, I support Mr Jeffrey LAM's original motion and the amendments proposed by other Members.

MR EDMUND WONG (in Cantonese): President, one of the most important factors making Hong Kong the leading international financial centre in Asia is its ability to pool and attract top financial and professional talents from the Asia-Pacific region and even the world to Hong Kong. However, it is an indisputable fact that Hong Kong is inevitably experiencing a brain drain resulting from the successive attacks of the “black-clad violence” and the COVID-19 epidemic. Therefore, it is crucial to attract talents back to Hong Kong to develop their career, strengthen and consolidate Hong Kong's status as an international financial centre, and enhance Hong Kong's competitiveness.

There are many factors to consider when talents choose a place to pursue their career. Hong Kong, however, as an international financial centre with first-class software and hardware, has a great attraction to top talents from around the world. There are probably two main factors that determine whether talents will eventually come to Hong Kong. Firstly, whether Hong Kong's tax regime is advantageous and competitive, so that talents can have more room for development; and secondly, whether Hong Kong has a facilitating immigration policy, which will enable talents to travel to places with business opportunities to develop their business, using Hong Kong as a base. These two points are exactly what the SAR Government needs to work harder on.

Hong Kong has been known overseas for its simple and low tax regime. However, with the imminent implementation of “BEPS 2.0” (the package for international tax reform on base erosion and profit shifting 2.0), Hong Kong’s long-established advantage of low tax rate may be affected.

Of course, against this background, the SAR Government has introduced various tax concessions to enhance Hong Kong’s competitiveness, including the tax concessions for single family offices proposed by Financial Secretary Paul CHAN in the Budget this year, and those in the Bill on tax concessions for certain ship agents, ship managers and ship brokers, which was read for the first time yesterday.

I and many members of the financial sector and the professional services industry welcome and support the SAR Government’s decision to introduce policies of tax concessions to enhance Hong Kong’s competitiveness. The SAR Government is introducing the relevant policies, but such policies can only be regarded as roughly comparable to those of our main competitor, Singapore, or even inadequate.

Take family offices as an example. Singapore has already granted tax exemption to single family offices and exempted family offices from the licensing requirements many years ago, and the scope of tax exemption for family office products and income sources is even broader than that currently proposed in Hong Kong. Such measures have attracted a lot of capital to settle in Singapore. Therefore, the new-term SAR Government needs to formulate tax incentives that are more aggressive than those of Singapore, so as to enhance Hong Kong’s competitiveness.

In addition to taxation policies, a set of immigration policies that can meet anti-epidemic needs and facilitate talents to travel to and from Hong Kong is crucial to retaining and attracting talents. The current isolation policy in response to the COVID-19 epidemic has discouraged overseas professionals from coming to Hong Kong and prevented them from working, doing business and exploring business opportunities in different places, thus reducing Hong Kong to an isolated island. I understand the need to strike a balance between economic development and epidemic prevention, but the situation really needs to be carefully reviewed.

As regards how to relax the entry requirements of overseas talents, as my party member, Mr Rock CHEN, has already made some detailed comments, I will not speak any further on it. I hope that the new-term SAR Government can

discuss with the Mainland to strive for more specific quotas for quarantine exemption even before the full implementation of quarantine-free travel arrangements, so that people with urgent needs and professionals doing Mainland-Hong Kong business can be exempted from the quarantine requirement when travelling between the Mainland and Hong Kong after meeting some special requirements, for example, having completed three doses of vaccination and using the Hong Kong Health Code system and the Guangdong Health Code (Yuekang Code) system all through their trips.

With these remarks, I support the original motion.

MS JUDY CHAN (in Cantonese): Thank you, President. Hong Kong's economic positioning has always been to leverage the support of the Motherland and face the world. Over the years, Hong Kong has gradually developed into an international financial centre with the advantages of "one country, two systems" and the hard work of Hong Kong people. Now, in the face of the new normal of the epidemic and the new situation of a highly competitive global environment, Hong Kong must give full play to its strengths and become an active promoter. Therefore, I am very grateful to Mr Jeffrey LAM for moving the motion on "Strengthening and consolidating Hong Kong's status as an international financial centre and enhancing its competitiveness".

President, in the 14th Five-Year Plan, the State has established the "dual circulation" economic development concept, proposing to take reform and innovation as the fundamental driving force to promote high-quality development and establish a new development pattern with domestic great circulation as the mainstay and featuring mutually reinforcing domestic and international dual circulation. With the expansion and improvement of the internal market, the level of external economic ties will also be further enhanced. The rapid economic development of China will certainly provide Hong Kong with enormous new opportunities.

The Central Authorities clearly support Hong Kong in enhancing its status as an international financial centre, and as an industry with inherent competitive edge, Hong Kong must strengthen its position as a global offshore Renminbi business hub, an international asset management centre, and a risk management centre. We should also step up our efforts to deepen and expand mutual access between the financial markets of the Mainland and Hong Kong, and promote Hong

Kong as a green financial centre. At the same time, we should make good use of innovation and technology, nurture and attract more professionals, and promote measures to facilitate the application of cross-border fintech between Hong Kong and the Mainland, so as to consolidate Hong Kong's position as a leading global fintech centre.

President, according to Article 109 of the Basic Law, the SAR Government shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre. In the past few years, Hong Kong faced severe challenges and the overall environment was in chaos. It was only with the full implementation of the Hong Kong National Security Law that social stability was gradually restored and market confidence was stabilized, showing that only on the basis of national security and social stability can financial security be safeguarded and development be sustained.

In addition, I also notice that Mr CHAN Chun-ying's amendment proposes that the Government should regularly analyse and assess the competitors, which are the highest ranked global international financial centres, in respect of each of the five areas, namely business environment, reputational and general, human capital, infrastructure and financial sector development, so as to identify the performance gaps and formulate measures to close these gaps. I think this proposal is commendable because in the Global Financial Centres Index Report published in March this year, although Hong Kong's ranking remains third, its score has dropped. Although New York and London, which ranks first and second respectively, have bigger drops in their scores, there is still a significant gap between their overall scores and Hong Kong's. Therefore, we need to target the shortcomings and see how we can make further improvements, formulate more favourable measures, and maintain the facilitation of capital flows between investors and fundraisers in the Mainland and abroad. Only by doing so can we continue to enhance Hong Kong's competitiveness.

With these remarks, I support the original motion. Thank you, President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr Jeffrey LAM, you may now speak on the amendments.

MR JEFFREY LAM (in Cantonese): Thank you, President. I thank the three Members who have proposed amendments today. Mr Rock CHEN has proposed that on the premise of fully “guarding against the importation of cases and the resurgence of domestic infections”, the Government should relax the quarantine arrangements for overseas arrivals and review the flight suspension mechanism in a timely manner. I support the amendment.

At present, imported cases account for a certain proportion of confirmed COVID-19 cases, and given the emergence of variant cases, Hong Kong, as an important player in the country’s anti-epidemic development, cannot adopt a “lying flat” attitude toward the epidemic situation. We can first observe the practices other countries and learn from their experience, and if the number of confirmed cases in Hong Kong further decreases, we can then explore appropriate adjustments to the epidemic prevention policy. At that time, we may consider relaxing the quarantine arrangements for overseas arrivals and reviewing the flight suspension mechanism. I hope that the Chief Executive-elect John LEE will lead the new-term SAR Government to resume quarantine-free travel arrangements with the Mainland and other places as soon as possible, so as to speed up economic recovery after the epidemic.

In addition, as regards the proposal in Mr Rock CHEN’s amendment of expanding offshore Renminbi (“RMB”) business and investment product channels, and increasing the size of RMB liquidity pool, with a view to enhancing Hong Kong’s status as an offshore RMB business hub and an international financial centre, I also support it.

The 14th Five-Year Plan has affirmed the important functions and positioning of Hong Kong in the overall development of the country, including enhancing Hong Kong’s status as an international financial centre and supporting Hong Kong in strengthening its function as a global offshore RMB business hub. The Business and Professionals Alliance for Hong Kong has all along been urging the Government to expedite the development of fintech, green and sustainable finance and so on.

Mr CHAN Chun-ying mentioned that we should regularly analyse and assess the competitors, which are the highest ranked global international financial centres, in respect of the areas of business environment, human capital, infrastructure and so on, so as to identify the performance gaps. I think that is also important. At present, there are many reports and ratings on competitiveness in the international world, which certainly have some reference value, but we should take the initiative to grasp the policies and advantages of our major competitors, so that we know ourselves and our competitors, and only in this way can we strengthen our own competitiveness.

The Chief Executive-elect John LEE said that he would send a delegation of officials and people from all walks of life to promote Hong Kong internationally after taking office. Firstly, we should tell a good Hong Kong story, and secondly, regardless of the political environment, Hong Kong should recruit different people to come to Hong Kong for development and attract investment. I think the officials and the business sector should also take this opportunity to understand the advantages and policies of various places, make a good assessment and comparison, and capitalize on Hong Kong's advantages as an international financial centre to tell a good Hong Kong story.

Mr Robert LEE mentioned the need to retain and attract talents in the financial and relevant services sectors. We believe that a number of factors are closely intertwined. For example, to attract financial talents to Hong Kong, there must be enough international school teachers. Therefore, my original motion mentions that I hope to retain and attract talents “in various sectors”; and I hope Members can understand this point.

I also think that the Government should properly address the business needs “in various sectors” amid the epidemic, and this is a strong request from various sectors of Hong Kong to the Government. We should not only take care of the needs and demands of the financial sector, because the overall business environment in Hong Kong is closely related to all trades and industries, affecting both employers and employees, and it is also closely related to our overall competitiveness. Since Mr LEE has deleted from the original motion certain important words—I will read them out once again—asking the Government to properly address the business needs “in various sectors” amid the epidemic, I cannot support his amendment.

Thank you, President. I so submit.

UNDER SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, first of all, I would like to thank Mr Jeffrey LAM, the proposer of the motion, the four Members who have proposed amendments, and other Members who have spoken for their valuable views on strengthening and consolidating Hong Kong's status as an international financial centre. I will give a consolidated response first, and my colleague from the Commerce and Economic Development Bureau will then respond to the proposals on the business environment, and so on.

As I mentioned in my opening remarks, to further consolidate Hong Kong's position as a leading international financial centre, the SAR Government will, in accordance with the unique positioning accorded to Hong Kong under the National 14th Five-Year Plan, take the development of the Greater Bay Area as the starting point and follow the new development pattern of the country's dual circulation, so as to give full play to its function as the key link for the international circulation. In this regard, the SAR Government has launched a series of measures to vigorously promote the development of different areas of the financial sector in Hong Kong.

In terms of mutual access with the Mainland financial markets, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect have been prospering over the past few years. In 2021, the average daily trading volume of northbound transactions under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect ("the Stock Connect") will reach RMB55.2 billion and RMB65 billion respectively, representing an increase of over 40% and 20% respectively over the figures in 2020. The average daily turnover of southbound transactions reached HK\$20.1 billion and HK\$21.6 billion respectively, representing an increase of more than 50% and 90% respectively compared with the figures in 2020. Since the launch of the Stock Connect, the northbound trading has brought a net capital inflow of over RMB1,600 billion to the Mainland stock market, while the southbound trading has brought a net capital inflow of over HK\$2,300 billion to the Hong Kong stock market. In May this year, the regulatory authorities of the two places announced their agreement in principle to include eligible exchange traded funds ("ETFs") in Stock Connect. The exchanges and registrars of the two places are now working on the technical preparations for the official launch of the relevant transactions. In addition, the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area ("the Scheme") was officially launched in

September last year and banks have commenced the relevant business since October of the same year. We are exploring ways to enhance the Scheme in light of the actual operational experience and market response.

Hong Kong has the world's largest offshore RMB pool and handles about 75% of the world's offshore RMB payment volume. To further develop offshore RMB financial products in Hong Kong and to enhance the demand for issuing and trading RMB securities in Hong Kong, the Securities and Futures Commission ("SFC"), the Hong Kong Exchanges and Clearing Limited ("HKEx") and the Hong Kong Monetary Authority ("HKMA") has set up a working group last year to complete a feasibility study on the proposal to allow RMB-denominated stocks to be traded in the southbound direction under Stock Connect. The working group has commenced the preparatory work for the project, and has held discussions with the Mainland regulatory authorities and relevant organizations. Upon implementation, the SAR Government will provide relevant support to enhance the liquidity of RMB-denominated stocks, and preparatory work for the legislative amendments has also commenced. Looking ahead, we will continue to explore with the industry and the Mainland authorities to further expand the channels for the two-way flow of cross-border RMB funds and develop offshore RMB products and instruments to support the development of the offshore RMB market and enhance Hong Kong's position as a global offshore RMB business centre.

As for the securities market, Hong Kong will continue to be one of the world's leading listing platforms, ranking fourth in the world in terms of Initial Public Offering capital raised in 2021. The average daily turnover of the Hong Kong stock market was HK\$166.7 billion in 2021, up 29% from 2020. The regime for listing of overseas issuers was further enhanced in January this year, including allowing overseas-listed Greater China companies from the traditional sectors and without weighted voting rights structures to secondary-list in Hong Kong and to providing greater flexibility for dual-primary listed issuers. In the same month, HKEx also established a listing regime for special purpose acquisition companies ("SPAC") in Hong Kong to broaden the channel for enterprises to list and raise funds in Hong Kong. A total of 81 new listing applications were received from January to May this year. Considering the fact that there are some large-scale advanced technology enterprises which require substantial capital for their research and development work, but are not qualified for listing as they fail to meet the profit and trading record requirements, SFC and HKEx are reviewing the Main Board Listing Rules, and, having due regard to the risks involved, examining the revision of the listing requirements to meet the fundraising needs of such enterprises.

As for the bond market, Hong Kong has been the world's top issuer for six consecutive years in terms of arranging international bond issuances by Asian entities. The volume of issuance arranged through Hong Kong reached a record high of US\$206.8 billion in 2021. We will progressively implement the recommendations of the Steering Committee on Bond Market Development in Hong Kong, including launching the inaugural 20-year Hong Kong Dollar government bond under the Government Bond Programme in May this year. We have also expanded the scale of the Government Green Bond Programme, doubling the borrowing ceiling to \$200 billion, and we will also issue green bonds totalling around \$175.5 billion within the five years from 2021-2022, having regard to the market situation, to establish a market benchmark. In addition, we have issued the first batch of HK\$20 billion worth of retail green bonds in May this year to further promote the development of the local retail bond market.

To further activate the development of the local bond market, in recent years, we have been actively promoting the issuance of bonds of various types and currencies and attracting more institutions in the region to issue bonds to raise capital in the Hong Kong market by means of taxation measures. Following the Ministry of Finance's issuance of RMB treasury bonds in Hong Kong for 14 consecutive years since 2009 and the People's Bank of China's establishment of a standing mechanism for issuing central bank notes in Hong Kong, the Shenzhen Municipal People's Government also issued RMB5 billion in offshore municipal government bonds in Hong Kong in October last year. It was the first time a Mainland municipal government issued bonds outside the Mainland. Last year, the SAR Government also issued green bonds denominated in Euro and RMB for the first time. We will exempt profits tax for the interest paid and profits derived from debt instruments issued by the Shenzhen Municipal People's Government in Hong Kong.

In terms of asset management business, as at the end of 2020, the combined assets of Hong Kong's asset and wealth management business amounted to approximately US\$4,500 billion, up 21% from the previous year. As a cross-border wealth management centre, Hong Kong ranks second in the world and first in Asia. The SAR Government has proposed to provide tax concessions for the eligible family investment management entities managed by single-family offices. We are working on the relevant legislative proposals and aim to present an amendment bill to the Legislative Council in the second half of this year.

Regarding the Mandatory Provident Fund (“MPF”), we are pressing ahead with the development of the eMPF Platform with a view to enabling trustees and their MPF schemes to transition to it in a sequential and orderly manner after the system has completed testing and is ready around April 2023 at the earliest, so that the eMPF Platform will be in full operation by around 2025. In addition, we have amended the legislation to facilitate investment by MPF funds in debt securities issued or unconditionally guaranteed by the Central People’s Government, the People’s Bank of China and three Mainland policy banks.

On insurance, Hong Kong ranks second in the world and first in Asia in terms of insurance density. Following the implementation of a series of measures to promote the development of the insurance industry since March last year, Hong Kong welcomed the second issuance of insurance linked securities (“ILS”) amounting to US\$150 million earlier this month. To strengthen Hong Kong’s role as an international risk management centre, each eligible application will receive a grant of up to HK\$12 million under the Pilot Insurance-linked Securities Grant Scheme. At the same time, we have passed legislation to establish a dedicated regulatory regime for ILS, including “catastrophe bonds”, thereby creating a vibrant ecosystem.

In terms of green and sustainable finance, the total amount of green and sustainable bonds arranged in Hong Kong in 2021 reached US\$31.3 billion, which was four times the previous year, representing one third of the Asian market. We will continue to work closely with regulators and the industry to promote this development through a multi-pronged strategy. The Cross-Agency Steering Group (“the Steering Group”), comprising relevant bureaux and financial regulators, is taking forward a number of initiatives to further develop and consolidate the green finance ecosystem in Hong Kong, including exploring the development of a green classification framework for adoption by the local market to align Hong Kong’s standards with international best practices. In addition, the Steering Group published in March this year a preliminary feasibility assessment for Hong Kong to pursue carbon market opportunities and concluded that plans should be made to develop Hong Kong into a global, high-quality voluntary carbon market. The Steering Group is considering the most appropriate market and regulatory model and will formulate the next steps after consulting market experts and relevant authorities.

On promoting fintech, we signed a Memorandum of Understanding with the People's Bank of China in October last year to provide a "one-stop" platform to conduct pilot trials of cross-border fintech initiatives concurrently in Hong Kong and other Mainland cities in the Greater Bay Area. At present, over 20 financial institutions and technology companies have expressed interest in using the platform. In addition, a new round of the Fintech Proof-of-Concept Subsidy Scheme will be launched this year to encourage the financial industry to conduct Proof-of-Concept projects on more financial products and services to promote continuous innovation in the industry.

Just now, some Members have proposed to enhance the financial regulatory regime to better meet market development needs. In the face of the complicated international environment in recent years, the SAR Government is fully aware that financial security is the foundation of national security and development, and is closely related to ensuring the prosperity and stability of Hong Kong. We must continue to make good use of the bottom-line mentality and be prepared for the worst-case scenario at all times. In fact, we have been actively promoting market development on the premise of risk control. The SPAC listing mechanism and the series of enhancements to the listing regime for overseas issuers introduced this year, as I mentioned earlier, are examples of striking a balance between the protection of investors' interests and the relevant risks in promoting the development of the financial market.

I also note that some Members have mentioned the need to make more active efforts to promote Hong Kong's advantages internationally, and we very much agree with this point. Despite the impact of the epidemic, the SAR Government has been promoting the good image of Hong Kong internationally and in the Mainland through various channels. We have continued to connect with the rest of the world by attending events or conferences online where possible. For example, at the end of last month and yesterday, Secretary Christopher HUI met online with esteemed business leaders from Malaysia, Sydney, etc. separately to inform them of Hong Kong's positive progress in wealth management, fintech and green finance in recent years. He also promoted the possibility of strengthening cooperation between Hong Kong, the Association of Southeast Asian Nations and Australia in various economic and financial areas. I have also just held online meetings with members of the financial sector in the United States and Singapore yesterday and the day before yesterday respectively to inform them of the latest development in Hong Kong's fintech and securities markets. In addition, HKEx and the financial regulators have also arranged outbound visits. These include the

World Economic Forum held in Davos, Switzerland in May attended by the Chairman of HKEx, and outbound visits to international conferences in recent months arranged by HKMA and the Insurance Authority to liaise with overseas financial regulators and enterprises to promote Hong Kong's future development and opportunities. We will continue to step up our efforts in this regard.

Furthermore, some Members have expressed concern about the competitiveness of Hong Kong vis-à-vis other financial markets. As I mentioned in my opening remarks about the International Monetary Fund's assessment and the Global Financial Centres Index, we have been paying close attention to the assessments and reports of international organizations, academic institutions and other credit rating agencies on Hong Kong's financial sector. We will also carefully understand and analyse the contents of these reports, so as to further improve the relevant areas and keep abreast of the changes in the global economic landscape and the development of other financial centres, with a view to enhancing the overall competitiveness of Hong Kong.

President, the SAR Government understands that in order to fundamentally strengthen Hong Kong's status as an international financial centre and bring long-term impetus to the growth of the local economy, we cannot focus only on the financial services industry. Rather, complementary policy measures should be introduced in other areas, including the taxation regime, talent policy, immigration arrangements under the epidemic, and the business environment, so that in addition to developing the financial market, we can comprehensively enhance Hong Kong's business environment and overall competitiveness.

On the taxation front, Hong Kong has a simple, convenient and low-tax regime, which is one of the key elements in promoting Hong Kong's business environment, encouraging investment and attracting talents. We have adopted the territorial-based principle for taxation, and only levy taxes on business profits, rental income and employment income in the form of profits tax, property tax and salaries tax respectively. Hong Kong does not levy value-added tax or sales tax, capital gains tax, withholding tax on dividends or interest, or estate duty. In order to reduce the tax burden on enterprises (especially small and medium enterprises and start-ups), the Government has implemented a two-tiered profits tax rates regime since April 2018, which benefit all sectors. In the 2020-2021 assessment year, about 93 000 taxpayers benefited from this regime, and the total amount of tax savings was \$5.7 billion.

In respect of the financial services industry, apart from the proposed tax concessions for single family offices that I have just mentioned, we have also implemented various tax concessions in the past few years, including profits tax exemption for privately-offered funds, a 50% reduction in profits tax rate for qualified insurance business including marine and specialty insurance, and tax concessions for carried interest issued by eligible private equity funds operating in Hong Kong, with a view to enhancing the attractiveness of the Hong Kong market.

On talent policy, to promote the further development of a high value-added and diversified economy in Hong Kong, the SAR Government has adopted a multi-pronged approach in five major areas, including nurturing local talents, promoting training and retraining, nurturing innovation and technology talents, releasing the potential local workforce, and attracting Mainland and overseas talents to meet Hong Kong's current and future talent needs.

On nurturing financial talents, the first batch of professional qualifications in fintech for the banking industry is expected to be rolled out this year. We will also conduct a consultancy study to continue to develop professional fintech qualifications for different financial sectors and promote the professionalization of fintech talents. In addition, a new round of the Financial Practitioners FinTech Training Programme was launched in February this year, covering both the Webinars Series and Incentive Scheme. The Webinars Series have attracted over 7 100 financial practitioners to register for the course. It is expected that at least 10 training programmes organized by industry organizations will benefit from the Incentive Scheme. We also plan to launch a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme to provide subsidies for the training and acquisition of relevant professional qualifications, so as to encourage people in the financial and related sectors to participate in training.

In addition, professionals in compliance in asset management, financial professionals in Environmental, Social and Governance (ESG), assessment management professionals, actuaries and fintech professionals are now included in the Talent List to facilitate the entry of eligible professionals, thereby attracting talents from around the world to come to Hong Kong under the Quality Migrant Admission Scheme.

As regards immigration arrangements, the global epidemic is still ongoing and the Government will continue to adopt border control measures to “guard against the importation of cases”. In light of the local and global epidemic

development, the Government has suitably adjusted the boarding, quarantine and testing arrangements for arrivals from overseas, including adjusting the quarantine period for arrivals in April to match that for close contacts of local cases (i.e. at least seven days), allowing non-Hong Kong residents to enter Hong Kong in May, supplementing the “test-and-hold” arrangement with rapid antigen testing, adjusting the flight suspension mechanism, and fine-tuning the boarding arrangements for incoming passengers from June onwards, so as to respond to the aspirations of the professional sector within a controlled risk level, and enable the sector to maintain contact with overseas countries and bring in talents from overseas, etc. The SAR Government will continue to further stabilize the epidemic and create conditions for implementing free-quarantine travel arrangements with the Mainland.

On providing a more business-friendly environment to properly address the business needs amid the epidemic, the Under Secretary for Commerce and Economic Development will respond to the proposal later.

I would like to thank Mr Jeffrey LAM again for proposing the motion today, and Members for proposing the amendments and delivering their speeches earlier, which have given us an opportunity to focus on the relevant subject. The SAR Government will continue to communicate and cooperate with Members and work together to enhance Hong Kong’s status as an international financial centre.

With these remarks, President, I will now invite the Under Secretary for Commerce and Economic Development to speak.

UNDER SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, first of all, I would like to thank Mr Jeffrey LAM for proposing this motion, the four Members for proposing amendments and a total of 22 Members for their speeches.

With its business advantage of being highly internationalized, Hong Kong has always been a popular place for multinational companies and investors to establish their presence and has been attracting talents from all around the world. In the face of the severe challenges posed by the epidemic to Hong Kong’s economy, the Government is committed to strengthening its support to enterprises. Apart from maintaining Hong Kong’s favourable business environment, the Government has introduced counter-cyclical measures to alleviate the difficulties faced by enterprises, thereby enhancing the competitiveness of Hong Kong

enterprises. Next, I will give a consolidated response in respect of measures introduced by the Commerce and Economic Development Bureau (“CEDB”) to facilitate business and support enterprises.

Over the past two years, the epidemic has exerted cashflow pressure on many small and medium enterprises (“SMEs”). The Government launched the 90% Guarantee Product and the Special 100% Guarantee Product under the SME Financing Guarantee Scheme (“SFGS”) in late 2019 and April 2020 respectively and continued to enhance SFGS. So far, a total loan amount of about \$90 billion has been approved under the Special 100% Guarantee Product.

The Government has also enhanced a number of funding schemes to help enterprises explore new opportunities amid the epidemic. We have injected a total of \$7 billion into the SME Export Marketing Fund and the Dedicated Fund on Branding, Upgrading and Domestic Sales, and substantially increased the funding ceiling per enterprise and expanded the scope of funding, so as to encourage SMEs to participate in more export promotion activities and open up the Mainland and overseas markets.

In respect of support for export, the Hong Kong Export Credit Insurance Corporation (“ECIC”) has implemented measures such as premium discount, free pre-shipment cover and expediting claims settlement. As at end May this year, over \$1.3 billion credit limits were uplifted. Moreover, ECIC also launched the “100% Credit Limit Top-Up Scheme” in 2020, providing protection for a cumulative amount of around \$23 billion of shipments. ECIC also launched the Export Credit Guarantee Programme on a pilot basis in March this year to provide guarantee up to 70% of the export financing of its policyholders, so that SME exporters would secure trade finance more easily.

The epidemic has brought the tourism industry to a standstill. The Government has been supporting the industry in various ways, including providing financial support and schemes with a commitment of about \$4.5 billion. In addition to direct assistance, it also creates room for the industry to operate, subject to the anti-epidemic measures.

On the creative industries front, CEDB has been providing support to the industries through the CreateSmart Initiative and the Film Development Fund. The current-term Government has injected a total of \$3 billion into these two funding schemes.

In addition to supporting enterprises affected by the epidemic, we are also actively promoting foreign investments, so as to add impetus to the Hong Kong economy. To tie in with Hong Kong's role in the 14th Five-Year Plan and in the promotion of high-quality development of the Guangdong-Hong Kong-Macao Greater Bay Area, InvestHK will step up its investment promotion efforts and strengthen Hong Kong's investment promotion network in the Mainland and overseas.

Furthermore, we have been actively collaborating with relevant bureaux to promote various talent admission schemes, so as to attract talents across the globe to pursue development in Hong Kong. In particular, Economic and Trade Offices of the SAR Government overseas have been using channels such as online platforms and social media for promotion, and organizing business seminars to promote Hong Kong's advantages. They also organized seminars at universities to present the employment opportunities available in Hong Kong to students and graduates.

In order to attract high-quality talents in a more effective and focused manner, InvestHK, in response to the relevant measures put forward in the Policy Address last year, increased its manpower to carry out strategic promotions in key markets, including the Mainland, countries in Europe and America and member states of the Association of South East Asian Nations, so as to promote the development opportunities in Hong Kong and attract high-quality talents to come to Hong Kong.

Despite the restrictions on physical promotional activities during the epidemic, our outreach efforts through various channels continued. For example, we wrote to various sectors overseas, published articles in the press, organized and participated in webinars to promote Hong Kong's development on various fronts to stakeholders. Upon the resumption of international travel, we will make overseas visits to strengthen the external publicity of Hong Kong on the occasion of the 25th anniversary of Hong Kong's return to the Motherland. For instance, we will participate in various promotional events celebrating our return to the Motherland, attend international conferences and forums in person, lead delegations to visit Belt and Road countries, and take the business sector, including SMEs and professional services groups, to participate in overseas promotional activities. We will actively support the industry to explore business opportunities in the Mainland and overseas markets.

To conclude, the SAR Government will continue to create favourable conditions to facilitate Hong Kong's economic recovery and maintain Hong Kong's leading position in the global business community.

President, I so submit.

PRESIDENT (in Cantonese): I now call upon Mr Rock CHEN to move an amendment.

MR ROCK CHEN (in Cantonese): President, I move my amendment.

The amendment moved by Mr Rock CHEN (See the marked-up version at Appendix 12)

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr Rock CHEN be passed.

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

(Members raised their hands)

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

(No hands raised)

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

I declare the amendment passed.

PRESIDENT (in Cantonese): Mr CHAN Chun-ying, as Mr Rock CHEN's amendment has been passed, you may move your further amendment.

MR CHAN CHUN-YING (in Cantonese): President, I move my further amendment.

The further amendment moved by Mr CHAN Chun-ying (See the marked-up version at Appendix 13)

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr CHAN Chun-ying's further amendment be passed.

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

(Members raised their hands)

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

(No hands raised)

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

I declare the amendment passed.

PRESIDENT (in Cantonese): Mr Robert LEE, as Mr Rock CHEN's and Mr CHAN Chun-ying's amendments have been passed, you may move your further amendment.

MR ROBERT LEE (in Cantonese): President, I move my further amendment.

The further amendment moved by Mr Robert LEE (See the marked-up version at Appendix 14)

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Robert LEE's further amendment be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Ir Dr LO Wai-kwok rose to claim a division.

PRESIDENT (in Cantonese): Ir Dr LO Wai-kwok has claimed a division. The division bell will ring for five minutes.

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

PRESIDENT (in Cantonese): Ms Judy CHAN, do you intend to 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.

Election Committee Constituency:

Ms Elizabeth QUAT, Mr CHEUNG Kwok-kwan, Mr LAM Chun-sing, Ms Nixie LAM, Dr Wendy HONG, Mr Kenneth LEUNG, Mr Rock CHEN, Mr CHAN Pui-leung, Ms Maggie CHAN, Ms Lillian KWOK, Dr TAN Yueheng and Mr SO Cheung-wing voted for the amendment.

Dr Junius HO, Ir LEE Chun-keung, Prof Nelson LAM and Mr Benson LUK voted against the amendment.

Dr Priscilla LEUNG, Mr MA Fung-kwok, Mr LUK Chung-hung, Dr Johnny NG, Dr CHOW Man-kong, Ms CHAN Yuet-ming, Ms Judy CHAN, Ir CHAN Siu-hung and Mr LAI Tung-kwok abstained.

Functional Constituencies:

Mr CHAN Kin-por, Mr Steven HO, Mr Martin LIAO, Mr CHAN Chun-ying, Mr Tony TSE, Mr Robert LEE, Mr Duncan CHIU, Mr CHAN Yung, Mr Edmund WONG and Mr YIM Kong voted for the amendment.

Mr Jeffrey LAM, Mr Frankie YICK, Ir Dr LO Wai-kwok, Mr Jimmy NG, Mr SHIU Ka-fai and Mr Louis LOONG voted against the amendment.

Mr KWOK Wai-keung, Mr CHU Kwok-keung, Dr David LAM, Mr LAM San-keung and Mr Dennis LEUNG abstained.

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

Geographical Constituencies:

Ms Starry LEE, Mr CHAN Hak-kan, Mr CHAN Han-pan, Mr Holden CHOW, Mr LAU Kwok-fan, Mr Stanley LI, Ms LAM So-wai, Mr CHAN Hok-fung, Mr YANG Wing-kit and Mr NGAN Man-yu voted for the amendment.

Mrs Regina IP, Mr Dominic LEE and Mr LEUNG Man-kwong abstained.

THE PRESIDENT announced that among the Members returned by the Election Committee, 25 were present, 12 voted in favour, 4 voted against and 9 abstained; while among the Members returned by functional constituencies and geographical constituencies, 35 were present, 20 voted in favour, 6 voted against and 8 abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he declared the amendment negatived.

PRESIDENT (in Cantonese): As Dr Stephen WONG is not present, I will not deal with his amendment.

PRESIDENT (in Cantonese): Mr Jeffrey LAM, you still have one minute to reply. Then, the debate will come to a close.

MR JEFFREY LAM (in Cantonese): Thank you, President. I thank the 21 Members for speaking on the motion on “Strengthening and consolidating Hong Kong’s status as an international financial centre and enhancing its competitiveness” and the three Members for proposing their amendments. Honourable colleagues of the Legislative Council (“LegCo”) come from different sectors and backgrounds. I am glad to listen to their constructive comments on issues such as strengthening Hong Kong’s status as an international financial centre, enhancing economic integration between Hong Kong and the Mainland, strengthening Hong Kong’s talent pool and enhancing the competitiveness of Hong Kong. This shows that LegCo represents a broad spectrum of views.

Despite the countless hardship that Hong Kong has gone through, looking forward, more and more opportunities will be made available to Hong Kong under the overall development of the country. Riding on our unique advantage of being backed by the Motherland and facing the world, we must deploy a series of measures to strengthen our status as an international financial centre by removing policy barriers, implementing competitive tax reforms and attracting talents.

I thank everyone for supporting the original motion today.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Jeffrey LAM, as amended by Mr Rock CHEN and Mr CHAN Chun-ying, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

I declare the motion as amended passed.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11:00 am on Wednesday, 22 June 2022.

Adjourned accordingly at 3:49 pm.

Protection of Wages on Insolvency Ordinance

Resolution

(Under section 16(3) and (3A) of the Protection of Wages on Insolvency Ordinance (Cap. 380))

Resolved that—

- (a) the Protection of Wages on Insolvency Ordinance (Cap. 380) be amended as set out in the Schedule;
- (b) the Ordinance as amended by this Resolution does not apply in respect of any of the payments specified in paragraph (d) the liability for payment of which arose before the date on which this Resolution is published in the Gazette (*effective date*);
- (c) the Ordinance as in force immediately before the effective date applies in respect of any of the payments specified in paragraph (d) the liability for payment of which arose before the effective date as if this Resolution had not been made and passed; and
- (d) the payments specified for the purposes of paragraphs (b) and (c) are—
 - (i) wages;
 - (ii) wages in lieu of notice;
 - (iii) a severance payment;
 - (iv) pay for untaken statutory holidays; and
 - (v) pay for untaken annual leave.

Schedule

Amendments to Protection of Wages on Insolvency Ordinance

1. Section 16 amended (payment)

- (1) Section 16(2)(b)—

Repeal

“36,000”

Substitute

“80,000”.

- (2) Section 16(2)(e)(i)(B)—

Repeal

“22,500”

Substitute

“45,000”.

- (3) Section 16(2)(f)(i)—

Repeal

“50,000” (wherever appearing)

Substitute

“100,000”.

- (4) Section 16(2)(g)(iii)(B)—

Repeal

“10,500”

Substitute

“26,000”.

(5) Section 16(2)(h)(ii)—

Repeal

“10,500”

Substitute

“26,000”.

(6) Section 16(2)(i)—

Repeal

“10,500”

Substitute

“26,000”.

Interpretation and General Clauses Ordinance

Resolution

(Under section 34(2) of the Interpretation and General Clauses Ordinance
(Cap. 1))

Prevention and Control of Disease (Prohibition on Gathering) (Amendment) (No. 2) Regulation 2022

Resolved that the Prevention and Control of Disease (Prohibition on
Gathering) (Amendment) (No. 2) Regulation 2022, published in the Gazette
as Legal Notice No. 49 of 2022 and laid on the table of the Legislative
Council on 27 April 2022, be amended as set out in the Schedule.

Schedule

Amendments to Prevention and Control of Disease (Prohibition on Gathering) (Amendment) (No. 2) Regulation 2022

1. Section 1 substituted

Section 1—

Repeal the section

Substitute

“1. Commencement

- (1) Subject to subsection (2), this Regulation comes into operation on 21 April 2022.
- (2) Sections 7, 8 and 9 come into operation on 17 June 2022.”.

2. Section 2 amended (Prevention and Control of Disease (Prohibition on Gathering) Regulation amended)

Section 2—

Repeal

“6”

Substitute

“9”.

3. Sections 7, 8 and 9 added

After section 6—

Add

“7. Section 2 amended (interpretation)

Section 2—

Repeal the definition of *group gathering*

Substitute

“*group gathering* (羣組聚集) means a gathering of more than 4 persons;”.

8. Section 2A repealed (what is group gathering)

Section 2A—

Repeal the section.

9. Section 10 amended (power to disperse prohibited group gathering etc. in public place)

Section 10(2)—

Repeal

everything after “1.5m” and before “, then”

Substitute

“and the total number of participants of the gatherings exceeds 4”.

Interpretation and General Clauses Ordinance

Resolution

(Under section 34(2) of the Interpretation and General Clauses Ordinance
(Cap. 1))

Prevention and Control of Disease (Wearing of Mask) (Amendment) (No. 3) Regulation 2022

Resolved that the Prevention and Control of Disease (Wearing of Mask) (Amendment) (No. 3) Regulation 2022, published in the Gazette as Legal Notice No. 50 of 2022 and laid on the table of the Legislative Council on 27 April 2022, be amended as set out in the Schedule.

Schedule

Amendments to Prevention and Control of Disease (Wearing of Mask) (Amendment) (No. 3) Regulation 2022

1. Section 1 substituted

Section 1—

Repeal the section

Substitute

“1. Commencement

- (1) Subject to subsection (2), this Regulation comes into operation on 21 April 2022.
- (2) Sections 6, 7 and 8 come into operation on 17 June 2022.”.

2. Section 2 amended (Prevention and Control of Disease (Wearing of Mask) Regulation amended)

Section 2—

Repeal

“, 4 and 5”

Substitute

“to 8”.

3. Sections 6, 7 and 8 added

After section 5—

Add

“6. Section 2 amended (interpretation)

- (1) Section 2(1), definition of *specified period*, paragraph (a), after “3(1)(b);”—

Add

“or”.

- (2) Section 2(1), definition of *specified period*, paragraph (b)—

Repeal

“or”.

- (3) Section 2(1), definition of *specified period*—

Repeal paragraph (c).

7. Section 3 amended (specification by Secretary for Food and Health)

- (1) Section 3(1)(b), after “4(1);”—

Add

“and”.

- (2) Section 3(1)(c)—

Repeal

“; and”

Substitute a full stop.

- (3) Section 3(1)—

Repeal paragraph (d).

8. Section 5A amended (requirement to wear mask in specified public place and Cap. 599F premises during specified period)

Section 5A(3A)—

Repeal

everything after “apply”

Substitute

“if the person is required under a Cap. 599F direction to wear a mask in the place.”.

Interpretation and General Clauses Ordinance

Resolution

(Under section 34(4) of the Interpretation and
General Clauses Ordinance (Cap. 1))

Resolved that in relation to the Social Workers Registration Ordinance (Amendment of Schedule 2) Notice 2022, published in the Gazette as Legal Notice No. 109 of 2022, and laid on the table of the Legislative Council on 25 May 2022, 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 13 July 2022.

**The marked-up version of the amendment moved by Mr TANG Ka-piu
(Translation)**

That the *original* fundamental concept of *implementing* the Mandatory Provident Fund (‘MPF’) schemes is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement, *but over the years, owing to reasons such as the offsetting mechanism and poor investment returns, MPF has failed to achieve the desired effect of retirement protection after being implemented for 20-odd years*; it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF’s overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner’s savings in two years going down the drain, *dealing a further blow to the investment returns*; from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF’s real purchasing power being almost exhausted after several decades, which is a worrying situation; ~~in this connection~~ *in order to establish a better retirement system*, this Council urges the Government to, *through improving the current MPF system*, ~~revitalize MPF by allowing scheme members more flexibility and autonomy in using MPF to take out medical insurance at an earlier time, so that when they fall ill, besides seeking medical treatment under the public healthcare system, they may also choose to go to private healthcare institutions to seek medical consultation, so as to obtain greater health protection, which can also relieve the pressure on the public healthcare system~~ *to enhance retirement protection for the public; specific measures include:*

- (1) *expeditiously implementing the abolition of MPF offsetting mechanism, and priority to abolish the offsetting arrangement should be accorded to non-civil service contract staff, and employees of outsourced companies and intermediaries;*

- (2) *expeditiously implementing MPF full portability to allow employees to transfer all the accrued benefits derived from their employers' mandatory contributions to MPF schemes of their own choice;*
- (3) *enhancing MPF's Default Investment Strategy ('DIS'), including lowering the total fee cap under DIS, reviewing annually DIS' effectiveness, and the Government or non-profit-making organizations taking the lead in establishing DIS, so as to promote market competition, thereby lowering the overall fee levels of funds and improving service quality;*
- (4) *establishing a mechanism to handle funds which have been sustaining losses for a long time, so as to stop losses for scheme members;*
- (5) *lowering the fees charged by sponsors of MPF schemes to reduce the overall costs;*
- (6) *formulating policies to allow employees aged 65 or above to join an MPF scheme;*
- (7) *setting up a public investment fund with a guaranteed rate of return linked to inflation rates (e.g. inflation rate plus 1%) for all scheme members to choose from, so as to enhance scheme members' confidence in MPF's ability to preserve value; and*
- (8) *paying employees' MPF contributions for low-income scheme members to enhance their retirement protection.*

Note: Mr TANG Ka-piu's amendment is marked in *bold and italic type* or with deletion line.

**The marked-up version of the amendment moved by Mr CHAN Kin-por
(Translation)**

That the fundamental concept of the Mandatory Provident Fund ('MPF') schemes *launched in 2000* is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement; it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF's overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner's savings in two years going down the drain; ~~from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF's real purchasing power being almost exhausted after several decades, which is a worrying situation~~ *notwithstanding that the financial market is highly volatile this year, MPF still has a reasonable long-term rate of return, with an annualized rate of net return from the inception of the MPF System in December 2000 to April this year, after netting off charges and fees, reaching 3.1%, 'beating' the inflation rate of 1.8% over the same period;* in this connection, this Council urges the Government to revitalize MPF by allowing scheme members more flexibility and autonomy in using MPF to take out medical insurance at an earlier time, so that when they fall ill, besides seeking medical treatment under the public healthcare system, they may also choose to go to private healthcare institutions to seek medical consultation, so as to obtain greater health protection, which can also relieve the pressure on the public healthcare system; *this Council also urges the Government to expeditiously launch the eMPF Platform to enhance the operational efficiency and cost-effectiveness of the MPF System, thereby reducing administration fees.*

Note: Mr CHAN Kin-por's amendment is marked in *bold and italic type* or with deletion line.

The marked-up version of the amendment moved by Dr David LAM (Translation)

That the fundamental concept of the Mandatory Provident Fund ('MPF') schemes is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement; it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF's overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner's savings in two years going down the drain; from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF's real purchasing power being almost exhausted after several decades, which is a worrying situation; in this connection, this Council urges the Government to revitalize MPF by allowing scheme members more flexibility and autonomy in using MPF to take out medical insurance at an earlier time, *or to withdraw an amount based on a specified payment ratio or ceiling to pay medical expenses at designated healthcare institutions and service providers*, so that when *they members of the public* fall ill, besides seeking medical treatment under the public healthcare *safety net* system *which provides the highest subsidy*, they may also choose to *take up beds to be reintroduced in public hospitals which are subsidized at a lower rate but of better quality by paying the difference with MPF* or go to private healthcare institutions to seek medical consultation, so as to obtain greater health protection *and have more comprehensive choices*, which can also relieve the pressure on the public healthcare system *and alleviate the burden of public funding*.

Note: Dr David LAM's amendment is marked in *bold and italic type* or with deletion line.

**The marked-up version of the amendment moved by Mr Rock CHEN
(Translation)**

That *since Hong Kong is facing keen competition from other financial centres*, this Council urges the SAR Government to formulate specific policies and measures to strengthen and consolidate Hong Kong's status as an international financial centre and enhance its overall competitiveness, with a view to capitalizing on Hong Kong's strengths to serve the country's needs; the proposals include:

- (1) facilitating a business-friendly environment to properly address the business needs amid the epidemic;
- (2) reviewing the current tax regime, including considering the formulation of a more competitive tax regime to attract talents, enterprises and capital to establish a presence in Hong Kong;
- (3) reviewing the talent policy to retain and attract talents in various sectors; ~~and~~
- (4) expeditiously discussing quarantine-free travel arrangements with the Mainland, and, ~~when the epidemic eases further~~ *on the premise of fully guarding against the importation of cases and the resurgence of domestic infections*, relaxing the quarantine arrangements for overseas arrivals *and reviewing the flight suspension mechanism* in a timely manner, with a view to restoring Hong Kong's connection with the Mainland and international markets as soon as possible; *and*
- (5) *expediting the promotion of fintech, green and sustainable finance, expanding offshore Renminbi ('RMB') business and investment product channels, and increasing the size of RMB liquidity pool, with a view to enhancing Hong Kong's status as an offshore RMB business hub and an international financial centre.*

Note: Mr Rock CHEN's amendment is marked in *bold and italic type* or with deletion line.

The marked-up version of the further amendment moved by Mr CHAN Chun-ying (Translation)

That since Hong Kong is facing keen competition from other financial centres, this Council urges the SAR Government to formulate specific policies and measures to strengthen and consolidate Hong Kong's status as an international financial centre and enhance its overall competitiveness, with a view to capitalizing on Hong Kong's strengths to serve the country's needs; the proposals include:

- (1) facilitating a business-friendly environment to properly address the business needs amid the epidemic;
- (2) reviewing the current tax regime, including considering the formulation of a more competitive tax regime to attract talents, enterprises and capital to establish a presence in Hong Kong;
- (3) reviewing the talent policy to retain and attract talents in various sectors;
- (4) expeditiously discussing quarantine-free travel arrangements with the Mainland, and, on the premise of fully guarding against the importation of cases and the resurgence of domestic infections, relaxing the quarantine arrangements for overseas arrivals and reviewing the flight suspension mechanism in a timely manner, with a view to restoring Hong Kong's connection with the Mainland and international markets as soon as possible; and
- (5) expediting the promotion of fintech, green and sustainable finance, expanding offshore Renminbi ('RMB') business and investment product channels, and increasing the size of RMB liquidity pool, with a view to enhancing Hong Kong's status as an offshore RMB business hub and an international financial centre; *and*
- (6) *regularly analyzing and assessing the competitors, which are the highest ranked global international financial centres, in respect of each of the five areas of competitiveness, namely business*

environment, reputational and general, human capital, infrastructure and financial sector development, so as to identify the performance gaps and formulate measures to close these gaps in a timely manner.

Note: Mr CHAN Chun-ying's amendment is marked in *bold and italic type*.

**The marked-up version of the further amendment moved by Mr Robert LEE
(Translation)**

That since Hong Kong is facing keen competition from other financial centres, this Council urges the SAR Government to formulate specific policies and measures to strengthen and consolidate Hong Kong's status as an international financial centre and enhance its overall competitiveness, with a view to capitalizing on Hong Kong's strengths to serve the country's needs; the proposals include:

- (1) facilitating a business-friendly environment to properly address the business needs amid the epidemic;
- (2) reviewing the current tax regime, including considering the formulation of a more competitive tax regime to attract talents, enterprises and capital to establish a presence in Hong Kong;
- (3) reviewing the talent policy to retain and attract talents in various sectors;
- (4) expeditiously discussing quarantine-free travel arrangements with the Mainland, and, on the premise of fully guarding against the importation of cases and the resurgence of domestic infections, relaxing the quarantine arrangements for overseas arrivals and reviewing the flight suspension mechanism in a timely manner, with a view to restoring Hong Kong's connection with the Mainland and international markets as soon as possible; and
- (5) expediting the promotion of fintech, green and sustainable finance, expanding offshore Renminbi ('RMB') business and investment product channels, and increasing the size of RMB liquidity pool, with a view to enhancing Hong Kong's status as an offshore RMB business hub and an international financial centre; and
- (6) regularly analyzing and assessing the competitors, which are the highest ranked global international financial centres, in respect of each of the five areas of competitiveness, namely business environment,

reputational and general, human capital, infrastructure and financial sector development, so as to identify the performance gaps and formulate measures to close these gaps in a timely manner;

- (7) *in line with the National 14th Five-Year Plan, promoting the diversified development of the financial sector, and actively developing financial services areas such as securities, futures, precious metals, corporate financing, funds and innovation fields, with a view to enabling foreign-funded, Mainland-funded and local enterprises to develop business together, and further increasing the variety of financial products; and*
- (8) *enhancing the current regulatory regime and adopting an all-round and innovative approach to regulation in order to meet the demands for novel financial products and business needs, thereby striking a proper balance between regulation and market development needs.*

Note: Mr Robert LEE's amendment is marked in *bold and italic type*.