



DAILY INFORMATION BULLETIN

ISSUED BY GOVERNMENT INFORMATION SERVICES
GARDEN ROAD, 5th-8th FLOORS, MURRAY BUILDING,
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Wednesday, January 15, 1997

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Airport Committee to meet tomorrow

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A meeting of the Airport Committee of the Sino-British Joint Liaison Group will take place in Hong Kong tomorrow (Thursday, January 16) on the comprehensive review of progress in the 10 Airport Core Programme projects that took place in the second half of 1996.

End

Cut-off date set for appeals to Privy Council

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The Registrar of the Privy Council has set March 1, 1997 as the guiding cut-off date after which the Privy Council would be unlikely to be able to dispose of new business from Hong Kong before July 1, 1997.

The date is for guidance only and is not a guarantee that a case submitted before that date will be finally disposed of before July 1, 1997.

"It should assist appellants and their lawyers in deciding whether to lodge their appeals to the Privy Council after March 1, 1997," a Government spokesman said today (Wednesday).

The Joint Declaration and the Basic Law provide that a Court of Final Appeal (CFA) will be set up to replace the Privy Council as Hong Kong's highest appellate court.

On June 9, 1995, the British and Chinese Senior Representatives to the Joint Liaison Group signed an agreement on the establishment of the CFA on July 1, 1997 and the Hong Kong CFA Ordinance was passed by the Legislative Council on July 26, 1995.

Under the Ordinance, any appeal in respect of which the Privy Council or the Court of Appeal has granted conditional, final or special leave to appeal to the Privy Council and the appeal has not been finally disposed of on or before June 30, 1997 shall proceed in the Court of Final Appeal.

End

Secretary for Transport to brief PC Economic Sub-group

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On the invitation of the Hong Kong Special Administrative Region Preparatory Committee (PC) Secretariat, Secretary for Transport, Mr. Gordon Siu, will lead a delegation to give a briefing on the Western Corridor Railway and the Tseung Kwan O MTR Extension to the PC Economic Sub-group at its meeting in Peking on January 16 and 17.

The delegation will comprise the chairmen and representatives of the MTRC and KCRC.

End

Heavier sentences for exploiting youngsters proposed

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The Dangerous Drugs (Amendment) Bill 1997, which seeks to stipulate heavier sentences for adult offenders convicted of drug offences involving persons under the age of 18, will be published in the Government Gazette on Friday (January 17).

In recent years, figures show that there has been a rapid increase in the number of young persons arrested for trafficking and manufacture of dangerous drugs. Between 1991 and 1995, the number was more than doubled, from 170 to 344.

The Commissioner for Narcotics, Mrs Clarie Lo, today (Wednesday) said: "There is evidence to show that drug traffickers are making increasing use of young persons in their illegal trade.

"Drug traffickers exploit young people as they are cheaper to employ, easier to control, less prone to attract police attention and more likely to receive lenient punishment if arrested."

The bill empowers the court to pass a more severe sentence on an adult offender convicted of a specified drug offence, if the court is satisfied beyond reasonable doubt on the involvement of a minor in the commission of the specified offence.

"The proposed legislative amendments would send a strong and clear message, to drug traffickers and the general public, that the exploitation of young persons in this way is a serious crime," Mrs Lo said.

The following offences under Part II and Part V of the Dangerous Drugs Ordinance are defined as specified drug offences upon which a heavier sentence may be imposed:

Part II

- * trafficking in a dangerous drug;
- * trafficking in a purported dangerous drug;
- * supplying or procuring a dangerous drug to or for unauthorised persons;
- * manufacture of a dangerous drug;
- * possession of a dangerous drug otherwise than for trafficking, and consumption of a dangerous drug; and
- * offences related to the cannabis plant and opium poppy.

Part V

- * keeping or managing a divan for the taking of a dangerous drug;
- * possession of equipment fit and intended for consumption of a dangerous drug; and
- * permitting premises to be used for unlawful trafficking, manufacturing or storage of a dangerous drug.

The bill extends the court's power to pass a more severe sentence to cover conspiracy to commit, inciting another to commit, attempting to commit, and aiding, abetting, counselling or procuring the commission of a specified drug offence.

It prescribes that information relating to the involvement of minors in the commission of specified drug offences which would be admissible in evidence in criminal proceedings may be furnished to the court, and allows the person convicted of a specified drug offence to object to the reception of the information.

The bill also stipulates that the enhanced sentence passed for a specified drug offence must not exceed the maximum penalty permitted by law for that offence.

"The bill meets the public demand for express provision in our legislation for heavier sentences for this type of crime. However, it would not prejudice the existing rights of the defendant to present mitigating circumstances to the court.

"The Government is determined to deter adults from exploiting young persons in the commission of drug offences," Mrs Lo said.

End

Two lots sold for \$488 million at land auction

* * * * *

Two land lots were sold for \$488 million at a public auction held by the Lands Department this (Wednesday) afternoon.

Both sites were bought by Eton Properties Ltd.

The first lot, adjoining 12 South Bay Road, Repulse Bay, was sold for \$230 million, with bidding opened at \$135 million.

It has an area of about 2,008 square metres for private residential development.

The developer has to complete a gross floor area of not less than 700 square metres on or before March 31, 2000.

The second lot located in Area 48, So Kwun Wat, Tuen Mun, was sold for \$258 million, with bidding opened at \$130 million.

With an area of about 5,080 square metres, the lot is also earmarked for private residential development.

The developer has to complete a gross floor area of not less than 3,965 square metres on or before March 31, 2000.

Held in the Concert Hall of the Hong Kong Cultural Centre, Tsim Sha Tsui, the auction was conducted by Government Land Agent, Mr Francis Ng Hang-kwong.

End

Symposium to improve building safety

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More than 300 building professionals, contractors, and academics are attending a two-day symposium starting today (Wednesday) on building construction to share their experience and expertise.

Organised by the Buildings Department, the symposium aims to review the current practice on building construction and site supervision strategies and examine ways to improve building safety.

Speaking at the opening ceremony of the symposium, the Secretary for Planning, Environment and Lands, Mr Bowen Leung, said the Government was dedicated to solving the building safety problems in the territory.

"We have amended the Buildings Ordinance last year to provide a legal framework for the supervision of building works in construction sites for safety. We are now in the process of drawing up the necessary Technical Memorandum and Code of Practice for a new site supervision plan system.

"Meanwhile, the Buildings Department has commissioned a consultancy study on buildings built after 1958 so as to better understand their structural condition.

"Furthermore, the Government has also proposed legislation to require certain types of commercial buildings to have their fire safety provisions enhanced to current standards," Mr Leung said.

Also speaking at the opening ceremony, the Director of Buildings, Dr Choi Yu-leuk, said a number of measures were being implemented by his department to address the building safety problem.

"Apart from introducing the supervision plan system, we have been improving and streamlining the procedures for the submission and approval of building proposals.

"We have also been reviewing and updating codes of practice, and drawing up new ones to meet the latest requirements on the design, construction and repair of buildings," he said.

End

Air quality report for December 1996 released

* * * * *

The Environmental Protection Department today (Wednesday) released air quality information for December 1996.

There was one violation of the total suspended particulates 24-hour air quality objectives at the Mong Kok roadside air monitoring station on December 17, 1996.

"The nitrogen dioxide and respirable suspended particulates levels were high in the territory on that day. The Air Pollution Indices of the day ranged from 88 to 101," Principal Environment Protection Officer (Air Service), Mr Pang Sik-wing, said.

He said the high level of air pollution was caused by accumulation and chemical reaction of emissions from motor vehicles under calm wind and stagnant weather conditions.

The December report includes the monitoring results from Mong Kok, Central/Western and Kwai Chung, which represent three important land use types in the territory:

- * locations close to road traffic in built-up urban areas;
- * combined commercial and residential districts; and
- * districts close to industrial areas.

Air pollutants reported include sulphur dioxide, nitrogen dioxide, total suspended particulates and respirable suspended particulates. All these pollutants can affect respiratory health in sufficient concentration.

Air pollution originates from various sources, including combustion, industrial and construction processes. In terms of impact on local air quality, motor vehicle exhaust is the most important source of nitrogen dioxide and airborne particulate matter, especially the smaller respirable particles.

End

Ngau Chi Wan lot to let by tender

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The Lands Department is inviting tenders for the short-term tenancy of a piece of government land at Fung Shing Street, Ngau Chi Wan, Kowloon.

The lot has an area of about 1.25 hectares and is intended for use as an open storage (excluding containers) or a car park (excluding container vehicles with trailers/chassis).

The tenancy is for one year, renewable quarterly.

The closing date for tenders is noon on January 31 (Friday).

Tender form, tender notice and conditions can be obtained from the Lands Department, 14th floor, Murray Building, Garden Road, Hong Kong, and the District Lands Office/Kowloon East, 10th floor, Yau Ma Tei Car Park Building, 250 Shanghai Street, Kowloon.

Tender plans can also be inspected at these offices.

End

Special rate for music royalties agreed

* * * * *

The Education Department has reached an agreement with the Composers and Authors Society of Hong Kong Limited under which the Government will pay a reduced annual royalty of \$5,000 for the use of copyright music in over 80 government schools in Hong Kong.

Education Officer (Government Schools), Mrs W Y Au, said the reduced royalty generally would apply to school activities in which no admission fees were charged.

The initial agreement is for the 1996/97 school year, covering the period from September 1, 1996 to August 31, 1997.

Covered in the agreement are 46 government primary schools, 37 government secondary schools and a practical education centre.

Earlier, the Composers and Authors Society of Hong Kong Limited has made similar concessionary agreements with the Hong Kong Subsidised Primary Schools Council and Hong Kong Subsidised Secondary Schools Council.

End

Public invited to visit Job Matching Services exhibition

Members of the public are invited to visit a two-day exhibition on the Job Matching Services organised by the Labour Department on Friday (January 17) and Saturday.

The exhibition is aimed at promoting the free job matching services of the department to both employers and job-seekers. It will be opened daily from 10 am to 6.30 pm at the West Bridge, second floor, The Landmark, Central.

It will include display panels introducing the job matching services of the Job Matching Programme (JMP) and the Job Matching Centre. Leaflets on these services will be distributed to visitors.

On-the-spot registration service will be provided to employers who wish to make use of the free recruitment service offered by the JMP or job-seekers wishing to join the JMP.

Vacancies registered under the Supplementary Labour Scheme will also be available. Job-seekers who wish to apply for these vacancies can register on the spot.

The JMP was first introduced in April 1995 to provide special employment assistance to unemployed local workers. The programme is now operating at nine Local Employment Services offices.

End

Student Discipline Section new office opens

The new office of Education Department's Student Discipline Section was officially opened by the Director of Education, Mrs Helen C P Lai Yu, today (Wednesday).

Also present at the opening ceremony were representatives from the Advisory Committee on School Guidance, Discipline and Support Services, the Hong Kong Association for School Discipline and Counselling Teachers and various divisions of the department.

Located at Room 402, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, the new office consists of a resource centre.

Reference materials including teachers' handbooks, school regulations and samples of discipline work are available at the centre.

There are also books, resource kits and audio visual materials which can be on loan or for reading at the centre.

It also provides a meeting place for teachers to share and exchange views on student discipline matters.

Established at September 1996, the Student Discipline Section has conducted both centre-based and school-based workshop.

Staff of the section have visited about 70 schools. During these visits, assistance was offered to schools in reviewing and formulating related strategies and programmes.

A leaflet on the resource centre and a newsletter have been published and will be distributed to all primary and secondary schools in late January.

At present, 96 secondary schools have opted for general mode of support and nine schools requested for intensive support.

End

Hong Kong Monetary Authority Interbank Liquidity

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		Time	Aggregate Balance Of Settlement Accounts
Opening aggregate balance	506 mn	0930 hr	8,695 mn
Closing aggregate balance	467 mn	1000 hr	10,153 mn
Change attributable to :		1100 hr	16,992 mn
Money market activity	-1,324 mn	1200 hr	20,282 mn
LAF reversal	+7,420 mn	1500 hr	27,012 mn
LAF today	-6,135 mn	1600 hr	34,759 mn

LAF rate 4.00% bid/6.00% offer TWI 125.9 *+0.2* 15.1.97

Hong Kong Monetary Authority

EF bills		EF notes/MTRC notes				
Terms	Yield	Terms	Issue	Coupon	Price	Yield
1 week	4.36	2 years	2811	5.72	100.16	5.70
1 month	4.44	3 years	3001	6.17	100.12	6.22
3 months	4.60	5 years	5112	6.57	99.89	6.70
6 months	4.82	7 years	7311	6.80	99.65	6.98
12 months	5.12	10 years	1610	7.37	101.86	7.23
		5 years	M503	7.35	101.92	6.97

Total turnover of EF bills and notes - \$19,621 mn

Closed January 15, 1997

End



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SUPPLEMENT

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Further measures to dampen property speculation through companies

* * * * *

The Secretary for Housing, Mr Dominic Wong, warned today (Wednesday) that if voluntary measures adopted by property developers fail to curb speculation, the Government will take action to restore the proper operation of the market in the public interest.

In reply to a question raised by the Hon Chan Wing-chan in the Legislative Council, Mr Wong said that the Government was concerned about the revival of speculative activities in the property market, especially in the upper end of the market and particularly through the use of shell companies and the sale of "chips".

"We welcome the introduction of new sales arrangements announced by the Real Estate Developers Association of Hong Kong (REDA) last Friday (10 January) as a first step to dampen speculation through companies. We have urged REDA yesterday to adopt additional measures to help to bring the present bout of speculative activity to an end," Mr Wong said. "REDA members have decided to introduce with immediate effect the following measures:

- * To prohibit the resale of uncompleted flats under the Consent Scheme through companies by way of change of directorship in the period between registration and completion of assignment (i.e. issue of the certificate of compliance or consent to assign, whichever is the earlier).
- * Flat sale to companies will be limited to the last 15 per cent of each batch of flats under the Consent Scheme put up for sale so as to ensure that genuine end-users' interests are protected;
- * To promulgate clearly in sales brochures and newspaper advertisements the total number of flats available for pre-sale in each housing development under the Consent Scheme;
- * To ensure that the 10 per cent of flats under the Consent Scheme disposed by private sale will only go to genuine end-users and will not become available in the open market for speculation; and
- * REDA will also encourage its members to adopt the above measures for sale of flats which have already been given consent for pre-sale, and sale of flats which fall outside the Consent Scheme.

Mr Wong welcomed the additional measures. "The prohibition of resale of uncompleted flats under the Consent Scheme by way of change of company directorship will effectively tackle speculation through the sale of chips and through companies by ensuring parity of treatment for company and individual purchasers.

"The requirement to provide clearer information in brochures and newspaper advertisements will enhance the transparency of the residential property market, and will also help flat buyers to make informed decisions and to avoid panic buying. The restriction on private sale will close another loophole for potential abuse.

"All these measures are consistent with the spirit of the Consent Scheme. Taken together, they will help to protect the interests of genuine flat buyers and greatly dampen speculation in the residential property market."

Mr Wong stressed that the Government would continue to monitor closely the residential property market and the effectiveness of the new arrangements. "If voluntary compliance with these measures by developers does not achieve the desired objectives, we will not hesitate to take action to introduce appropriate measures to restore the proper operation of the market."

Mr Wong also emphasised the need for longer term measures to increase flat supply.

"The supply of flats will increase steadily from 1998 onwards. A provisional estimate for flat supply in 1998 is about 36,000 flats. There is no cause for panic buying," he added.

"In the short term, the Government will help to ease demand at the top end of the market by disposing its surplus staff quarters, which are large flats, through lease or sale. So far, about 150 such flats have been put out for rent on the market, and more flats will shortly be ready for leasing. 14 flats were sold last December, and we are finalising a programme to sell up to 400 more flats in 1997," Mr Wong said.

"The Government will continue to make land available for private housing. In the last five years, we have disposed of 145 hectares of land for this purpose. In the next five years, 260 hectares of land will be made available. The sites will be disposed of in a phased and orderly manner, ensuring an even spread," Mr Wong emphasised.

"We are aware of the possibility of extending the permitted pre-sale period for uncompleted flats under the Consent Scheme, so as to increase flat supply. A year ago, we relaxed the pre-sale period from 9 months to 12 months. We may consider a further extension to facilitate flat supply, but we need to be satisfied that in doing so it will not fuel future property speculation," Mr Wong said.

End

Motion debate on "Anti-smoking"

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The following is a speech by the acting Secretary for Health and Welfare, Mrs Doris Ho, at the Motion Debate on "Anti-smoking" moved by Dr the Hon Leong Che-hung in the Legislative Council today (Wednesday):

Mr President,

I thank Honourable Members for their interest in this important issue. As the Secretary responsible for health matters, I am particularly gratified to see concern being shared by so many. The need to protect individual and public health, and especially the health of the young, is a matter on which we are all agreed. There can be little doubt that smoking is hazardous to health. Who among us could say that smoking is a habit to be encouraged, rather than discouraged? What is being debated today is therefore not whether there is a need to reduce smoking in our community -- only the scope of measures to be taken to achieve this.

First of all, I would like to stress that Government's policy on smoking has always been a progressive and evolving one. As more medical evidence about the hazards of smoking emerged in the 1970s, we reviewed the situation and determined that this was an area where legislative control was required. That was how the Smoking (Public Health) Ordinance came into being in 1982. The Ordinance provides a regulatory framework for control of the sale, use and promotion of tobacco products, as well as a vehicle for the setting up of no smoking areas.

Since then, we have regularly reviewed the need for further legislative measures, taking into account world trends and local views. Over the past 15 years, the Ordinance has been amended and updated several times, gradually moving towards a more comprehensive control scheme.

To inform people of the health hazards of smoking, all tobacco advertisements and tobacco products are required to carry a prescribed health warning. In the beginning, we had only one general health warning, stating that "smoking is hazardous to health". Since 1994, we have had four stronger and more specific health warnings. We are now planning to introduce new ones.

We have set an upper limit on the tar content allowed in cigarettes and require cigarette packets and advertisements to display a tar group designation. The purpose of this is to restrict the level of harmful substances in cigarettes and to enable smokers to make an informed choice. We propose to reduce further the maximum tar content and revise the information required to be provided on packets and in advertisements.

We impose a duty on tobacco. This seeks to discourage cigarettes consumption. The tobacco industry and others have pointed out that a high duty encourages smuggling and reduces Government revenue. The question here is whether cigarettes should be made cheap and thereby encourage smoking when we know full well that even greater community cost will be incurred in the form of increased ill-health and medical expenses to treat smoking-related illnesses.

To protect non-smokers from passive smoking, a number of public places have already been designated as statutory no-smoking areas. These include all public transport carriers, cinemas, theatres, concert halls, amusement game centres and public lifts. We intend to introduce a mechanism to allow managers of restaurants, supermarkets, banks and shopping malls to designate all or part of the places under their control as statutory no-smoking areas if they so wish.

Apart from setting up statutory no smoking areas in public areas, the Hon Member Mr Tse Wing-ling will be pleased to learn that the Government also sees the need to promote the idea of smokefree workplaces. Since a working person stays in the workplace for many hours every day, it is important that they are provided with a safe and healthy working environment. As a responsible employer and to set a good example for other employers in the private sector, we have implemented a smokefree workplace policy for all Government premises since 1 April 1996. I note with pleasure that these Chambers also have such a policy in place, thanks to the Hon Member Mr Martin Lee's efforts. The Hong Kong Council on Smoking and Health (COSH) has contributed by inviting private sector organizations to sign a "Smokefree Workplace Charter". Seventy-three organizations have already signed it. We hope that more will follow suit.

We know that most smokers started the habit before they became adults. We also know that once people start smoking, it is extremely difficult to quit, and some never succeed. To reduce the smoking population, we therefore need to prevent young people from taking up the habit in the first place. This was why we set up COSH in 1984. The good work carried out by COSH has been commented by the Hon Members tonight but I would like to inform Members more of COSH's untiring efforts. Its designated task is to undertake public education, publicity and information dissemination among the public, in particular among the young in schools. Between 1992/93 and 1996/97, Government's injection of resources into COSH has increased by more than 80%, from \$2.8m to over \$5m. On top of that, an additional funding of \$7.5m has been given to COSH to intensify its efforts targeted at youth. These figures indicate that Government has been substantially increasing the resources devoted to the anti-smoking campaign over the years. With the increased funding, COSH has produced innovative TV announcements targeted particularly at youth, conducted many school projects, including talks and drama performances to get the anti-smoking message across to school children. To achieve the maximum result in our efforts to discourage smoking among the young, we have stepped up legislative control by prohibiting the sale of tobacco products to minors under the age of 18 since April 1995. There have been some 20 prosecutions for underaged sales during the period from April 1995 to June 1996.

The Department of Health, which is responsible for primary health care, also plays an important role in Government's anti-smoking efforts by promoting the concept of a healthy lifestyle to the public. In 1994, the Department set up the Health Ambassador Scheme targeted primarily at students and provided intensive training courses to the Health Ambassadors. The training course covers all aspects of a healthy lifestyle, including anti-smoking. With advice from the Department, these Ambassadors then organize different programmes in their schools, districts and neighbourhoods. Anti-smoking messages are thus disseminated effectively through these channels to our young people as well as their friends and families. The Scheme has been gradually extended also to women, teachers, and the elderly. This year, there are about 1,000 Health Ambassadors, and the number will further increase in the coming years.

All these measures and input of resources demonstrate Government's concern and continuing efforts to reduce smoking and thus avoid the ill-health that is associated with it. We have been successful in substantially decreasing the smoking population from 23.3% in 1982 to 14.8% in 1996. This is a good record, but so long as smoking causes ill-health, we cannot afford to be complacent. Not only must we continue to lower the number of smokers in our community, but more important, we must not allow a reversal in the trend.

From time to time, we are asked why Government doesn't ban smoking completely or prohibit the sale of tobacco products when all medical evidence points to the hazards of smoking. I have no doubt that we all share the same objective, namely, to protect individual and public health. Attempts to control through legislation are not the panacea for all social problems. We believe that public education, in combination with a step-by-step approach to regulatory legislation represents a more effective and appropriate approach. We do not believe that the problem would be solved by forcing the smoker or tobacco retailer to become a criminal. All that would happen then is that the problem would be driven underground, with increased smuggling and illegal sales posing an enforcement nightmare, and smokers being harder to reach through public education efforts. However, I do not agree with the Hon Member Mr Chim Pui-chung's comparison of cigarettes with motor vehicles. Vehicles, used according to the manufacturer's instructions, do not kill.

Mr President, let me reaffirm Government's commitment to tackling the problem. We have already taken major strides in the war against smoking by banning all tobacco advertising on TV, in cinemas and on radio. In time, it may be appropriate for Hong Kong to do what many other countries have done and also ban tobacco advertisements in the printed media and on display. Meanwhile, we believe that there is nothing healthy, attractive, glamorous, or grand or cool about smoking and we will see what can be done about advertisements which allude to such qualities.

The industry has often maintained that tobacco sponsorship of sporting and cultural events does not constitute tobacco advertising or attract people to smoke. Hence, there is no need to restrict tobacco sponsorship through legislation. I am sure that all Members will wish to see the industry demonstrate the truth of this by eliminating the coincidental similarity in style and imagery that now exists between their sponsorship advertisements and tobacco advertisements.

The advertising industry has called for a voluntary code instead of legislation, despite their poor record of compliance in the past. Even with regard to health warnings, which are a statutory requirement, advertisers repeatedly try to make these as indistinct as possible.

The advertising industry claims that further controls on tobacco advertising will cost them \$1 billion in revenue and threaten up to 1,000 jobs. As the Hon Member Mr Leong Chi-hung has pointed out, a similar argument was advanced before advertisements were prohibited on television in 1990, but evidence showed that the revenue of the two TV stations actually increased, rather than declined. Against revenue from tobacco advertising, we must also bear in mind the social and economic costs -- up to \$4 billion in medical bills and lost productivity and around 4,600 deaths per year due to smoking.

In implementing our strategy, we must exercise care, lest our good intentions result in actions which are perceived as draconian or unwarranted infringement of an individual's rights. I am therefore mindful of all the suggestions that have been expressed in this Council today as to how we should proceed. I will give these views careful consideration.

To conclude, I assure this Council that the Administration is determined, as it has always been, to combat smoking. We will do what needs to be done. If we are truly to succeed, we need to build up a smokefree culture where everyone values a smokefree living and working environment. Such a smokefree culture has to be built up with contributions from each and every one of us in the community.

To coin a phrase: "a smokefree environment starts with me".

By discussing the issue here today, Members have already advanced the issue. The Administration will continue to promote it through publicity, education and legislation. We all look forward to the day when Hong Kong is a healthier, smokefree place in which to live, work and enjoy life.

End

Motion debate on competition policy

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Following is a speech by the Secretary for Trade and Industry, Miss Denise Yue, in response to the Hon Fred Li's motion and the Hon James Tien's amendment motion on competition policy in the Legislative Council today (Wednesday):

Mr President,

I have listened very carefully to the views expressed by Honourable Members on both the motion and the amendment motion moved by Hon Fred Li and Hon James Tien respectively. I would like to thank Honourable Members for all the valuable comments made on this important subject, which I am sure will be most helpful to the Government in preparing the Government Response to the Consumer Council's study report on competition policy. I would also like to congratulate again the Consumer Council on its completion of this important study.

Since 1993, the Government has provided funds for the Consumer Council to conduct a series of studies on competition. Six sector-specific studies on banking, supermarkets, domestic water heating and cooking fuel market, telecommunications, television broadcasting and private residential property market have been published. The Government has responded, positively and constructively, to five reports and the Government Response to the one on private residential property market is intended to be published later this month.

The last in the series is a study on the overall assessment of the competition environment in Hong Kong. The study report was published by the Consumer Council on 25 November 1996. The Chairman of the Consumer Council briefed Honourable Members of the Panel on Trade and Industry on the findings and recommendations of the study report at its meeting held yesterday [14 January 1997].

In brief, the Council's Report puts forward four main recommendations -

- (a) the adoption of a comprehensive competition policy for Hong Kong;
- (b) the enactment of a competition law to cover horizontal and vertical collusive agreements and abuse of dominant position;
- (c) the establishment of an independent Competition Authority outside the Government to investigate and decide on possible breaches of the competition law and advise the Government on competition policy; and
- (d) the setting up of an Appeal Body to hear appeals against decisions by the Competition Authority.

Honourable Members may recall that at the last motion debate on the same subject held in this Council on 29 May 1996, I outlined the Government existing policy on the promotion of competition in Hong Kong. The Government is fully committed to the promotion of free trade and competition which is the best guarantee of economic efficiency, low prices and consumer protection. The Government subscribes to the basic economic philosophy of minimum Government intervention in market forces, which we believe is the best formula for enhancing competition and efficiency on the one hand, and keeping costs and prices down on the other. However, where necessary, the Government does take appropriate and pragmatic measures to rectify any unfair business practices, safeguard competition and protect consumer interests.

Mr President, although we do not have a comprehensive competition law, we do have a competition policy. The Government, in the pursuit of its competition policy, is adopting a step-by-step, pragmatic approach in the formulation of instruments and framework that are most suitable for promoting competition in the different sectors of Hong Kong's economy. The Government is taking a sector-specific approach to promote greater competition in the relevant business sectors.

I believe Honourable Members will agree that the recommendations in the Council's Report will have far-reaching implications for the future development of Hong Kong's economy. I believe that there is no disagreement within the community on the fundamental principles of promoting competition and giving consumers adequate protection. However, as evidenced from this afternoon's debate and the previous debates held in this Council, there are divergent and even conflicting views as to what regulatory framework, or what means, Hong Kong should adopt in order to enhance competition. The different approaches advocated by Honourable Members reflect the diverging views of the community towards any reform of the existing competition policy framework in Hong Kong.

Mr President, the Government is open-minded as to whether or not a comprehensive competition law should be introduced and whether a Competition Authority should be established in Hong Kong. The Trade and Industry Branch is examining the recommendations of the Consumer Council's report together with other relevant Government branches and departments. We have also invited the public and more than 110 interested organisations to comment on the recommendations of the report by 6 January 1997. So far, about 40 responses have been received, half of which requested us to extend the deadline by one to three months. Acceding to this request would certainly cause a delay to the formulation of a Government Response which we feel should reflect as much of the community's view as possible. However, in view of the importance and complex nature of the subject matter, the Government is giving serious consideration to the request. I would like to take this opportunity to appeal to all interested parties to let the Government have their views and comments as speedily as possible.

Finally, Mr President, I would like to comment briefly on both the motion and the amendment motion. Firstly, on the amendment motion proposed by Hon James Tien, Honourable Members may rest assured that the Government fully recognises the far-reaching implications of the recommendations of the Council's report on a wide range of sectors of Hong Kong's economy. We will consider the implications of any new or additional market regulations for the smooth functioning of the market mechanism, economic efficiency, freedom of contract, consumer choice and Hong Kong's competitiveness in the international arena. As regards the motion moved by Hon Fred Li, as the Government is still receiving and considering the various comments of the public and interested organisations on the recommendations of the report, it is not yet in a position to agree or disagree with what have been advocated by the Consumer Council, namely enactment of a competition law, the establishment of a Competition Authority and an Appeal Body in Hong Kong. Respecting the fine tradition of working together with LegCo and the community at large, the Government will certainly consult this Council and the public in determining the specific details and contents of the law if we do decide that a competition law should be enacted in Hong Kong.

With these remarks, I conclude my speech. Thank you Mr President.

End

Human Reproductive Technology Bill

* * * * *

Following is a speech by the acting Secretary for Health and Welfare, Mrs Doris Ho, in moving the second reading of the Human Reproductive Technology Bill in the Legislative Council today (Wednesday):

I move that the Human Reproductive Technology Bill be read the second time.

The Human Reproductive Technology Bill aims to put in place statutory measures to ensure that human reproductive technology will be safely practised and the rights of consumers protected.

A Provisional Council on Reproductive Technology was established in 1995 to advise Government on the drafting of legislation and a Code of Practice. Following public consultations and advice from the Provisional Council, we propose to establish a statutory Council on Human Reproductive Technology which will be responsible for licensing providers of reproductive technology services and persons conducting embryo research. The Council will also monitor their compliance with operational guidelines in a code of practice.

We propose to prohibit sex selection through human reproductive technology for non-medical reasons, for example because of a family's particular preference for one or the other sex children. Its use for medical reasons, to prevent sex-linked diseases, will be allowed subject to control. Commercial surrogacy, that is, the use of a woman who is paid to carry another couple's child, will be prohibited. Also prohibited will be trading in gametes and embryos or fetal ovarian and testicular tissues.

Having taken into account the majority of public views that the welfare of children could be best protected when they are brought up by married couples, we propose to limit generally the provision of human reproductive technology services to persons who are married to each other.

Human reproductive technology is a sensitive subject which is often complicated by ethical considerations. An Ethics Committee has therefore been set up by the Provisional Council to consider carefully the ethical aspects of human reproductive technology and make recommendations which the majority of the public finds acceptable. The Bill provides for the setting up of a statutory Ethics Committee.

Three public consultations have been conducted to gauge public views on the subject. All views expressed were carefully considered and examined by the Provisional Council and Government when drafting the Bill.

Mr President, I beg to move.

End

Insurance Companies (Amendment) Bill 1997

* * * * *

Following is a speech by the Secretary for Financial Services, Mr Rafael Hui, in moving the second reading of the Insurance Companies (Amendment) Bill 1997 in the Legislative Council today (Wednesday):

Mr President,

I move that the Insurance Companies (Amendment) Bill 1997 be read a second time.

The main objectives of the Bill are to amend the Insurance Companies Ordinance to provide regulatory concessions for captive insurance in Hong Kong and to empower the Insurance Authority to make regulations to specify professional standards to be observed by Appointed Actuaries for enhanced protection of policy holders.

It is the Government's aim to enhance Hong Kong's status as a regional insurance centre and the development of captive insurance business has been identified as one of the means to achieving this. We believe that the development of captive insurance would promote competition in the market place and provide a wider range of insurance options. Moreover, the establishment of captive insurance companies would also bring about an inflow of capital funds and new business, and also provide additional job opportunities.

To encourage multinationals and overseas conglomerates to set up captive insurance companies in Hong Kong, we propose to relax some of the regulatory requirements under the Insurance Companies Ordinance. The proposed regulatory concessions include the lowering of the minimum paid-up capital and solvency margin requirements, and exemption from the local asset requirement and the valuation regulation.

The proposed concessions are considered appropriate because a captive insurance company only underwrites business from its group companies and no outside parties are involved. To ensure that the protection afforded to third party claimants under compulsory insurance requirements on employees' compensation, and motor and vessel liabilities insurance in respect of risks located locally, a captive insurance company is not allowed to underwrite such business, even from its own group. We believe that our proposal strikes a balance between our wish to be competitive on the one hand and the need for maintaining the integrity and reputation of Hong Kong's regulatory regime on the other.

The Bill also empowers the Insurance Authority to make regulations to specify professional standards to be observed by an Appointed Actuary of a long term business insurer and to monitor the compliance with such standards by the actuaries. This proposal will enable the Insurance Authority to implement the full-fledged Appointed Actuary System, such as that practised in other jurisdictions whereby the Appointed Actuary is not only responsible for valuation of liabilities but also for reporting on other aspects of the financial condition of the business such as reserving and investment policies. This will enhance the protection of policy holders.

The opportunity is also taken to incorporate the detailed provisions of the Life Assurance Act 1774 of the UK into the Insurance Companies Ordinance. This Act requires that a person taking out an insurance contract must have an insurable (pecuniary) interest in the life or event insured. Such requirement is an important safeguard against abuses by policy holders whose motives are to profit from wagering on lives and events which they have no insurable interest. The Act currently applies to Hong Kong through the Application of English Law Ordinance. It is however referred to by title only in that Ordinance and it would be tidier and more transparent if the detailed provisions of the Act are incorporated into the Ordinance itself.

Finally, the Bill seeks to recognise that a parent has an insurable interest in the life of his/her child. This is to rectify the anomaly recently identified by the insurance industry that juvenile policies, whereby a parent takes out insurance on the life of his/her child and naming the parent as a beneficiary, are illegal in Hong Kong, following the UK's common law. In addition, the Bill also recognises that a guardian has an insurable interest in the life of his/her ward to cater for the situation where the parents are deceased and the maintenance of a child depends upon the guardian.

Thank you, Mr President.

End

Exchange Fund

* * * * *

Following is a question by the Hon Fred Li and a reply by the Secretary for the Treasury, Mr K C Kwong, in the Legislative Council today (Wednesday):

Question:

Will the Administration inform this Council whether the recent proposal of the Hong Kong Monetary Authority to use a sum of HK\$1 billion from the Exchange Fund for the purpose of establishing a Mortgage Corporation is in breach of section 3(1A) and 3(1B) of the Exchange Fund Ordinance; if not, whether there are any restrictions on the uses to which the Exchange Fund may be put?

Reply:

The use of the Exchange Fund to provide the initial capital for the establishment of the Mortgage Corporation is fully consistent with sections 3(1A) and 3(1B) of the Exchange Fund Ordinance. Section 3(1A) of the Ordinance provides that, in addition to using the Fund for its primary purpose, the Financial Secretary may, with a view to maintaining Hong Kong as an international financial centre, use the Fund as he thinks fit to maintain the stability and the integrity of the monetary and financial systems of Hong Kong. Section 3(1B) provides that the Financial Secretary, in using the Fund for the purpose specified in section 3(1A), shall have regard to the Fund's primary purpose of affecting the exchange rate of the Hong Kong dollar.

The Financial Secretary, having consulted the Exchange Fund Advisory Committee, is of the view that the establishment of the Mortgage Corporation will be conducive to the maintenance of the stability and the integrity of Hong Kong's banking and monetary systems. The establishment of the Mortgage Corporation will improve banking stability by reducing the concentration and liquidity risks of mortgage lending. It will also reduce the maturity mismatch in mortgage lending by channelling long term savings to meet the rising demand for long term home financing. Furthermore, the establishment of the Mortgage Corporation will enhance the resilience of the monetary system to interest rate shocks by encouraging the origination of fixed rate mortgages, which will help to insulate borrowers from short-term interest rate fluctuations.

The proposed capital injection of \$1 billion by the Exchange Fund to the Mortgage Corporation represents 0.2% of the total assets of the Fund. The Financial Secretary, having consulted the Exchange Fund Advisory Committee, is satisfied that the use of the Fund for the establishment of the Mortgage Corporation will not adversely affect the use of the Fund for its primary purpose of maintaining the stability of the exchange rate of the Hong Kong dollar.

The uses to which the Exchange Fund may be put are already specified in the various provisions of the Exchange Fund Ordinance. Under section 3(1), the control of the Fund by the Financial Secretary is exercised in consultation with the Exchange Fund Advisory Committee. In relation to the strategic purposes of the Fund, sections 3(1) and 3(1A) of the Ordinance require that the use of the Fund must serve either the primary purpose of affecting the exchange rate of the Hong Kong dollar or the secondary purpose of maintaining the stability and integrity of the monetary and financial systems of Hong Kong.

End

Financial resources declaration of CSSA recipients

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Following is a question by the Hon Mrs Wong Chien Chi-lien and a reply by the acting Secretary for Health and Welfare, Mrs Doris Ho, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council whether the children of elderly persons are required to declare that they cannot or will not support their parents before these elderly persons can receive assistance under the Comprehensive Social Security Assistance Scheme; if so, what the reasons are?

Reply:

The Comprehensive Social Security Assistance (CSSA) Scheme provides a 'safety net' for those members of our community who do not have sufficient means to support themselves. It is a non-contributory scheme and is funded entirely from General Revenue. It is necessary to ensure that benefits provided under the Scheme are available only to those who are genuinely in need. Beneficiaries are therefore means-tested, both to determine their eligibility and assistance entitlement.

To determine their financial status, all CSSA applicants are required to declare their financial resources. Elderly persons applying for CSSA go through the same procedures as CSSA applicants in other age groups.

An elderly CSSA applicant, who has hitherto been supported by his/her children, is asked to submit a declaration by the children confirming

- (a) the extent of the support; or
- (b) that the support will cease.

If the declaration from the children is not forthcoming, a declaration by the elderly applicant to the same effect will suffice. This process is also applicable to applicants of other ages, who claim that they have been receiving some form of support from other family members.

This requirement is part of the process to ascertain the financial resources available to and the needs of the applicant. It is to ensure that assistance is provided only to those in need and that public funds are properly spent.

Having said this, I want to emphasise that no elderly person in need of assistance has been deprived of CSSA simply because he/she has not been able to provide a declaration on this count.

End

New office for HKSAR Chief Executive-designate

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Following is a question by the Hon Li Wah-ming and a reply by the Secretary for the Treasury, Mr K C Kwong in the Legislative Council today (Wednesday):

Question:

It is reported that the arrangement made by the Government in providing a new office for the Hong Kong Special Administrative Region Chief Executive-designate at Edinburgh Tower in the Landmark has been widely criticised, and the Chief Executive-designate has indicated openly that the location of the office premises picked by the Government is not suitable. In this regard, will the Government inform this Council:

- (a) of the criteria adopted in selecting the office premises for the Chief Executive-designate;
- (b) whether it has consulted the Chief Executive-designate before deciding on the location of the office premises mentioned above; if not, why not;
- (c) whether it has signed the lease for renting the above office premises; if so, what the monthly rent is; and
- (d) of the amount of public (including payment of rent, deposit and other expenses) which will be wasted in the above office site selection exercise, as the Chief Executive-designate has not accepted the office premises in question.

Reply:

First of all, let me say that any criticism of the offer to the Chief Executive (Designate) of the office in the Edinburgh Tower is somewhat misplaced; furthermore although he may not have found these premises suitable, we have readily been able to accommodate him to his satisfaction in other offices that we have identified.

I nevertheless welcome this opportunity to set the record straight on this issue in a number of respects.

The administration has never made a decision that the It has always been our intention to consult the Chief Executive (Designate) on the provision of office accommodation to meet his requirements. While it would not have been possible for us to consult the Chief Executive (Designate) until he had been selected, it would clearly be desirable if we could have identified potentially suitable accommodation ready for his consideration as soon as possible after his selection. The office premises at Edinburgh Tower This simply emerged as such an a possible option after we had considered other office premises available in the market at that time, having regard to location, accessibility, size and quality.

We consulted Mr Tung on 28 December 1996 on the possibility of using the space at Edinburgh Tower as his new office. We then arranged a site visit two days later to let Mr Tung see for himself whether the space could fully meet his requirements. After Mr Tung had indicated that the premises would not meet all his requirements we immediately identified alternatives for his consideration, including the premises in Asia Pacific Finance Tower which he has now accepted.

The Edinburgh Tower premises were leased in November for an initial period of three years to provide tribunal accommodation for the Judiciary and that remains their purpose. They and we now intend on grounds of urgency to make them available for use by the Commission of Inquiry into the Garley Building tragedy. As rental levels are commercially sensitive information, I would prefer not to disclose the actual rental agreed. I can, however, assure members that it is at a discount to the current market rate., and that no public funds have been wasted in the exercise.

To date the works that have been carried out in Edinburgh Tower consist of basic building services such as partitioning, electrical work and air conditioning. In order to accommodate the requirements of the Garley Building Inquiry, some repartitioning is necessary, but the cost of this is minimal. Overall the fit-out works for the Edinburgh Tower premises is near the lower end of the range of costs that we normally expect to incur for works of this type. These works are essential to all office accommodation regardless of use.

End

Traffic accidents at two locations in Causeway Bay

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Following is a question by the Hon Howard Young and a reply by the acting Secretary for Transport, Mr Paul Leung, in the Legislative Council today (Wednesday).

Question:

Will the Government inform this Council whether there has been any marked increase in traffic accidents at the road junctions and pedestrian crossing at the Sogo Department Store and Times Square in Causeway Bay since the operation of Luminescent Electronic Display (LED) advertising signs at such locations?

Reply:

Mr President,

From the installation of the advertisement sign at Sogo Department Store in late 1993 up to the end of 1996, there were 16 traffic accidents in the section of Hennessy Road between Percival Street and Great George Street. There were six accidents in 1994, two in 1995 and eight in 1996. Eight of the accidents involved sudden stopping or starting of bus or tram and passengers losing balance; four involved careless changing of lane by vehicles; two were related to disobeying traffic light; one to jaywalking and one to a passenger being trapped by the door of a bus.

Regarding the sign at Times Square on Russell Street, there were 23 accidents in that location during the period from the installation in late 1993 to 1996. There were eight cases in 1994, eleven in 1995 and four in 1996. Nine of the accidents involved jaywalking; four cases involved vehicles turning negligently; three were related to careless driving; two to vehicles starting negligently; one to driving too fast; one to careless lane cutting; one involved a person being hurt by the door of a vehicle and two involved unknown causes.

At both locations, an analysis of the causes of traffic accidents does not reflect any correlation between the installation of the advertisement signs and traffic accidents in the areas.

End

Operation of insurance companies

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Following is a question by the Hon Andrew Cheng and a written reply by the Secretary for Financial Services, Mr Rafael Hui, in the Legislative Council today (Wednesday):

Question:

Regarding the operation of insurance companies, will the Government inform this Council:

- (a) how the Office of the Commissioner of Insurance (the Office) regulates the sale of the assets and liabilities of one insurance company to another or the merger of one insurance company with another;
- (b) of the protection provided for policy holders under the circumstances described in (a) above; whether it is obligatory for the insurance company concerned to obtain the consent of its policy holders prior to transferring their policies to another company, and whether the policy holders can recover the premiums paid if they object to such a transfer; and
- (c) the total number and categories of complaints concerning the operation of insurance companies received by the Office over the past three years?

Reply:

- (a) and (b) Under common law, the transfer of insurance business from one insurer to another can only be executed with the prior consent of each and every policy holder. This represents a "novation" of the contract and the Office of the Commissioner of Insurance is not involved in the process.

Such a process is, however, extremely time-consuming and costly, particularly where a large number of policies are involved. The Insurance Companies Ordinance ("ICO") therefore provides for an alternative mechanism for transfer of insurance business which will not only save time and costs for the insurer concerned but also ensure that policy holders are properly and readily protected with another policy issued by an existing authorised insurer.

The ICO provides that transfer of general business may be effected with the approval of the Commissioner of Insurance. As for the transfer of long term business, due to the long term nature of the policies, the sanction of the High Court is required, and the Commissioner of Insurance has the right to be heard. Regarding corporate mergers, if they involve the transfer of insurance business, the above provisions will apply.

The Commissioner of Insurance or the High Court will approve or sanction the transfer only if they are satisfied that the transferee is or will be authorised to carry on the relevant business in Hong Kong and that other conditions stipulated in the ICO for the protection of policy holders have been fulfilled. These conditions, inter alia, require the transferor to publicise the scheme of transfer in the newspapers and to notify the affected policy holders in writing.

The affected policy holders are given an opportunity to make representations which must be properly considered by the Commissioner of Insurance or the High Court. The most important consideration is whether a policy holder would be adversely affected by the transfer.

A policy holder who feels aggrieved by the decision may apply for leave for judicial review in the case of a decision by the Commissioner of Insurance, or appeal to a higher court against the decision of the High Court in the case of a court sanction.

A policy holder can also choose to terminate the policy and obtain, in the case of a general business policy, refund of the unexpired portion of premium, or in the case of a long term business policy, payment of the "surrender value" of the policy. The "surrender value" of a policy is determined on an actuarial basis in accordance with the terms of the policy.

- (c) The total number and categories of complaints concerning the operation of insurance companies received by the Office of the Commissioner of Insurance in 1994, 1995 and 1996 are as follows:

Nature of Complaints	Number of Complaints		
	1994	1995	1996
Delay in Settlement	-	2	6
Quantum of Indemnity/ Surrender Value	4	6	6
Repudiation of Liability	-	5	5
Cancellation/Non-renewal of Policy	2	-	3
Twisting of Policies	1	2	-
Misrepresentation	-	2	4
Transfer of Business	-	-	2
Poor Service	-	3	4
Quality of management of insurer	-	4	-
Others	2	5	10
Total	9	29	40

End

Prevention of corporate fraud and mismanagement

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Following is a question by the Hon Eric Li Ka-cheung and a written reply by the Secretary for Financial Services, Mr Rafael Hui, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council whether it is aware of the specific actions taken by the Stock Exchange of Hong Kong (SEHK) and the Securities and Futures Commission (SFC) since January 1995 to improve corporate governance with a view to preventing corporate fraud and mismanagement; if so, does the Government know of the following:

- (a) the total provisions set aside by SEHK and SFC respectively for the above purpose in the last two years;

- (b) the results of any evaluations conducted by SEHK or SFC on the impact of their preventive actions; and
- (c) the respective number of cases involving corporate fraud and mismanagement reported to SEHK and SFC monthly since January 1995?

Answer:

The statutory framework on corporate governance is provided under a number of ordinances, including

- the Securities (Disclosure of Interests) Ordinance (Cap. 396) which obliges directors and substantial shareholders to disclose their interests in shares of the company;
- the Securities (Insider Dealing) Ordinance (Cap. 395) which governs the use of price sensitive information; and
- the Companies Ordinance (Cap. 32) which deals with the reporting of unfit directors by liquidators of companies being wound up.

In addition, the corporate governance framework is strengthened by the Takeovers Code issued by the Securities and Futures Commission (SFC) which obliges directors to consider the interest of their shareholders in takeovers, and the Listing Rules issued by the Stock Exchange of Hong Kong (SEHK) which set out the compliance requirements.

Specifically, section 29A of the Securities and Futures Commission Ordinance empowers the SFC to investigate cases of suspected fraud, misconduct or inadequate disclosure to shareholders in relation to listed companies. It also empowers the SFC to inspect listed companies' books or records and if the inspection reveals impropriety, to apply to the High Court for orders including injunction against directors and the appointment of a receiver to the listed companies concerned. In 1995 and 1996, the SFC invoked these powers on five occasions.

The SEHK is the front line regulator of corporate activities. Under the Listing Rules, companies are required to sign listing agreements before they are listed on the SEHK. One of the major corporate governance initiatives of the SEHK is the education of listed company directors of their fiduciary duty and duty of care owed to the company. This message has been reinforced through the SEHK's publications, conferences and public statements, the work of four SEHK-sponsored working groups on corporate governance, and through enforcement of the Listing Rules.

The specific action taken by the SFC and the SEHK to improve corporate governance since January 1995 include:

- In 1995, the SEHK's Listing Rules were amended to require all listed companies to include in their annual and interim reports a compliance statement with respect to their code of best practice.
- In 1995 and 1996, the SFC and the SEHK jointly hosted conferences on the duties of directors of listed companies under the SEHK's Listing Rules.
- In 1996, SEHK's Listing Rules were amended to set out the procedures for director's declarations and undertakings that must be completed by all directors.
- In 1996, the SEHK set up a Working Party on Corporate Governance in which the SFC also participated. Amongst other matters, the Working Party is considering the Hong Kong Society of Accountants' report on corporate governance.
- In 1995 and 1996, the SFC and the SEHK assisted the Administration in the drafting of legislation which seeks to provide statutory protection for auditors of listed companies who report in good faith suspected fraud, unlawful conduct, misfeasance or other misconduct discovered in the course of audit to the SFC and the SEHK.

The answers to the three sub-questions are as follows:

(a) Budgetary provision

Neither the SFC, nor the SEHK has prepared the budget for the last two years in a format which could clearly delineate the budgetary provision for investigation work on listed companies or for the prevention of corporate fraud and mismanagement.

(b) Evaluation on preventive measures

Neither the SFC nor the SEHK has carried out specific evaluation on the impact of the preventive action they have taken. Nevertheless, the SFC believes that the enforcement action taken under section 29A of the Securities and Futures Commission Ordinance would be an effective deterrent and should help prevent corporate fraud and mismanagement.

(c) Statistics on reports

The SEHK does not maintain statistics on cases of corporate fraud and mismanagement reported by members of the public. The statistics from the SFC are as follows:

Year	<u>Number of cases reported</u>	
	suspected mismanagement	suspected fraud
1995	4	1
1996	13	1

End

A package of measures to speed up urban renewal

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Following is a question by the Hon David Li and a written reply by the Secretary for Planning, Environment and Lands, Mr Bowen Leung, in the Legislative Council today (Wednesday):

Question:

In the policy statement on "Urban Renewal in Hong Kong" issued by the Administration in June 1996, it was stated that in ten years' time, more than 40 per cent of the private housing stock in the urban area will be over 30 years old, as compared with the present figure of 20 per cent. In this connection, will the Government inform this Council whether it plans to commit more resources to speed up the urban redevelopment programme; if so, what the details are?

Reply:

Mr President,

In the policy statement on "Urban Renewal in Hong Kong" published in June 1996, we proposed to introduce a package of immediate measures to facilitate and speed up planned urban renewal schemes and, in the longer term, to consider more fundamental changes to the existing arrangements to increase the speed and scale of urban renewal.

Resources have been committed to a number of immediate measures which are being implemented. These measures include establishing dedicated urban renewal teams in the Planning, Environment and Lands Branch, Lands Department and Planning Department, and commissioning studies to prepare for the introduction of a building safety inspection scheme. Resources have also been earmarked for other measures, including granting land at reduced premium to the Hong Kong Housing Society for the construction of rehousing units, and testing the linked-site approach by which a profitable site is granted to cross-subsidise a financially non-viable redevelopment project.

In the longer term, we are considering a number of proposals which will likely have significant resource implications for the Government. These proposals include transforming the Land Development Corporation into an Urban Renewal Authority, and setting up a rehabilitation fund to provide low-interest or interest-free loans to owners of domestic units to renovate common parts of buildings and upgrade building services.

End

Standard licentiate examination

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Following is a question by Dr the Hon Huang Chen-ya and a written reply by the acting Secretary for Health and Welfare, Mrs Doris Ho, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council:

- (a) of the number of candidates who took the licentiate examination for non-Commonwealth trained medical practitioners in 1996, together with a breakdown of the examination results by different ranges of marks in the written and oral examinations;
- (b) of the criteria adopted by the Medical Council of Hong Kong (the Medical Council) in marking and how the pass mark of the licentiate examination is determined; and

- (c) whether, in notifying the candidates of the examination results, the Medical Council provides them with the marks they have obtained in different parts of the licentiate examination; if not, why not and whether the Medical Council will consider enhancing the transparency of the licentiate examination by providing the above-mentioned marks to candidates?

Reply:

- (a) The number of candidates who participated in the Licentiate Examination for non-Commonwealth trained medical practitioners held by the Hong Kong Medical Council in 1996, and their results, are shown in the Annex.
- (b) The standard of the Licentiate Examination and the criteria for assessing the candidates are pitched at that of a local final MB BS/MB ChB examination.
- (c) The candidates are informed of their performance in each and every part of the Licentiate Examination, in either actual marks or grades obtained.

Results of Licentiate Examination held in 1996

	<u>Licentiate Exam</u> 1996(Jan)	Result	<u>Licentiate Exam</u> 1996 (Mar)+(May)	Grade Obtained	<u>Licentiate Exam</u> 1996 (Jul)		
	Multiple Choice Paper on Professional Subjects		Written Paper on Professional English		Oral Examination on Professional Knowledge		
Overall marks*			<i>(No grading is given for this part of the exam.)</i>		Medicine/ Paediatrics	Surgery & Ortho Surgery	Obstetrics & Gynaecology
0-20	52			A	0	0	0
21-40	162			B	5	1	5
41-60	46			C	25	22	27
over 60	0			D	11	17	13
				E	10	4	2
Total no. of Candidates	260	Total no. of Candidates	14	Total no. of Candidates**	58	58	58
Total no. of Candidates passed	13	Total no. of Candidates passed	11	Total no. of Candidates passed	22		

* The overall mark only serves as an indicator of the examination result. In order to pass the examination, a candidate is required to obtain a minimum mark/grade in each individual subject of the paper.

** Includes candidates who were absent and who passed some of the subjects in earlier examinations. The number therefore does not equate the sum of candidates with grades listed above.

Language training courses organised for university students

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Following is a question by Dr the Hon Law Cheung-kwok and a written reply by the Secretary for Education and Manpower, Mr Joseph W P Wong, in the Legislative Council today (Wednesday):

Question:

Is the Government aware of:

- (a) the respective language training courses organised by each of the universities in the territory for students with lower Chinese language and English language standards, so as to improve their language proficiency; and
- (b) the mechanism in place in each university to assess the proficiency in the Chinese and English languages of each undergraduate on a periodic basis?

Reply:

Mr President,

- (a) Details of language training courses organised by each of the publicly-funded universities in the territory for students with lower Chinese language and English language standards are set out at Annex A.

The City University of Hong Kong, Hong Kong Baptist University, Hong Kong Polytechnic University and Hong Kong University of Science and Technology require their first-year undergraduate students with low grades in Chinese and/or English language subjects in the Hong Kong Advanced Supplementary Level Examination to attend compulsory language courses.

At the University of Hong Kong, all first-year undergraduates are required to attend English enhancement courses. Chinese language enhancement programmes are offered mainly on a voluntary basis, but are compulsory for students in the Department of Architecture.

The Chinese University of Hong Kong offers elective Chinese proficiency and English proficiency courses as well as discipline-specific English courses on a credit-bearing basis. With effect from 1996-97, compulsory language course requirements have been introduced for all first-year undergraduate students in the Faculties of Business Administration, Engineering and Social Sciences.

The Lingnan College, which is also a degree-awarding institution, requires their students with low grades in Chinese and English language subjects to attend compulsory courses.

In addition, all degree-awarding institutions have independent language learning centres where students can improve their language skills on a self-initiated and self-paced learning basis.

- (b) All publicly-funded universities have in place mechanisms to monitor their students' proficiency in Chinese and English on an on-going basis during their courses. Students' proficiency is assessed in a variety of ways including assignments, tests, projects, oral presentations and examinations. Details are set out in Annex B.

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**LANGUAGE ENHANCEMENT PROGRAMMES
CONDUCTED BY PUBLICLY-FUNDED UNIVERSITIES**

A. THE CHINESE UNIVERSITY OF HONG KONG

1. Compulsory Courses :

English for Specific Purposes (ESP) Courses were started in 1996-97 for all first-year students in the Faculties of Business Administration, Engineering and Social Science. The courses are credit-bearing and specially designed to meet the specific needs of students of different disciplines. Details are as follows:

<u>Faculty</u>	<u>ESP Courses</u>
<input type="checkbox"/> Business Administration	Communication for Business Studies
<input type="checkbox"/> Engineering	Technical Communication
<input type="checkbox"/> Social Science	one of the following courses: Business Chinese Chinese for Executives English Improvement Strategies II Introduction to Academic Writing Business Communication

Intensive Language Enhancement Courses. The University is actively planning for the introduction of compulsory intensive courses on English, Cantonese and Putonghua for undergraduate students.

- 2. Elective Chinese Proficiency Courses, English Proficiency Courses and Putonghua Courses** are credit-bearing. To provide students with greater opportunities to enrol in language proficiency courses, summer sessions have been introduced from summer 1996.
- 3. Independent Learning Centre** is a bilingual language centre encompassing a Chinese Section and an English Section, with the objective of encouraging students to adopt a self-initiated and self-paced learning approach in improving their language ability. The Centre continues to explore a greater variety of multi-facet language enhancement programmes and activities. It is also planning to extend its opening hours so as to enable students to make full use of its facilities.
- 4. Language Enhancement Programmes** on English, Chinese and Putonghua are organised by the University's four Colleges in less formal setting with smaller groups, and in more flexible hours and dates, so as to cater for different needs of students. A total of \$4 million has been assigned for this purpose in 1996-97.

B. THE CITY UNIVERSITY OF HONG KONG

1. Compulsory Courses for Full-time First-year Students:

English Foundation Programme for Undergraduate Students:

- Intensive Pre-sessional English Course (78 hours) for students who score Grade E or below in Use of English in the Advanced Supplementary (AS) Level Examination.
- Core English Foundation Programme (28 hours) for students who score Grade D or below in Use of English in the AS Level Examination.

English Foundation Course for Diploma/Higher Diploma Students:

- Supplementary English Course for College Students (30 hours) for students who score Grade E or below in Hong Kong Certificate of Education Examination (HKCEE) English Language (Syllabus B).
- Core English Foundation Programme (28 hours) for students who score Grade D or below in HKCEE English (Syllabus B).

2. Optional Courses:

Chinese Foundation Programmes for Degree Students (28 hours) for first-year undergraduate students who score Grade D or below in Chinese Language and Culture in AS Level examination and who enrol in courses of study that have a Chinese communication skills component.

Chinese Foundation Programme for Diploma/Higher Diploma Students (28 hours) for first-year Diploma/Higher Diploma students who score Grade D or below in HKCEE Chinese Language.

Putonghua Foundation Programme (56 hours) for beginners and is open to all.

English Enhancement Programme for Research Degree Students for selected students, having taking into account the English Diagnostic Test after admission. These students are invited to attend the following courses -

- Grammar workshop (30 hours)
- Writing research paper (30 hours)
- Speaking workshop (30 hours)

3. Other Enhancement Service Open to All Students:

English Enhancement Service (various modules 14- 26 hours)

Chinese Enhancement Service (various modules 14- 26 hours)

Putonghua Enhancement Service (various modules 14- 26 hours)

4. **Self-Access Language Learning Centre** (open to all students).
5. **Other Language Enhancement Activities Introduced in 1996-97** organized to promote the facilities provided in the Self-Access Language Learning Centre. For example, four clubs are organized to boost student motivation, and to promote the use and the learning of English in an informal setting: the Conversation Club, the Listening Club, the Extensive Reading Club and the Writing Club on the World Wide Web.

C. THE HONG KONG BAPTIST UNIVERSITY

1. **Mandatory Bridging Courses for Full-time First-year Students** (44 hours) who score Grade E or below in the Use of English in the Hong Kong Advanced Supplementary (AS) Level examination. These students are required to take this bridging course before they start their programme of studies at the University. It is a graduation requirement for these students.
2. **Optional Non-credit-bearing Enhancement (not remedial) Courses** for all university students to supplement their regular language courses.

Supplementary English Course

Supplementary Putonghua Course (at Elementary, Intermediate, Higher and Advanced Levels)

3. **Language Facilities Open to All Students:**

English and Chinese Writing Enhancement Service (WES) helps students improve their writing skills in English by means of one-to-one tutorials; produces self-study materials; publishes a newsletter providing information on language enhancement, etc.; and conducts workshops. Some students are sent to the WES by their lecturers by referral.

Writing Laboratory (WL) is equipped with 586-based computers and some audio-visual equipment and tapes, CALL programmes, newspaper clippings and books on grammar and various language skills. Apart from improving their language skills through the use of these facilities, students can do their assignments using the computers and other facilities in the Laboratory and get on-the-spot help on language matters from the tutor on duty.

D. THE HONG KONG POLYTECHNIC UNIVERSITY

1. Compulsory Courses:

Supplementary English Programme is compulsory for those students who are identified by their English class teacher as in need of additional help with their English (783 students in 1995/96). The Supplementary English Programme and the Regular "Service English" programmes require students to reach a pass standard of Grade D or above in the University's common grading scheme.

Chinese Enhancement Programme is compulsory for 59 degree course entrants who have not scored Grade E or above in the AS Level subject Chinese Language & Culture. It is a 42 contact hour course specially designed for remedial purpose. There will be formal assessment and the results will be reported to the respective host departments for their consideration. The programme will prioritise the Chinese enhancement needs of students who have no Chinese component in their own curriculum.

2. English Summer Programme
3. Independent Learning Scheme
4. Centre for Independent Language Learning

E. THE HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY

1. Compulsory Courses for First-year Students:

English for Academic Purposes is conducted for all first-year students admitted with a grade below "C" in the Use of English in the AS Level examination.

Business Communication Programme. All Bachelor of Business Administration (BBA) programmes require students to acquire the enhanced English proficiency provided by Business Communications course.

Technical Communications. All Bachelor of Engineering (BEng) programmes (except those in Civil & Structural Engineering and Mechanical Engineer), and Bachelor of Science (BSc) programmes in Biochemistry and Chemistry require students to acquire the enhanced English proficiency provided by Technical Communications course.

2. Elective Courses:

Advanced English Reading and Writing and Advanced English Reading and Speaking courses are offered as elective courses to provide advanced communication skills for business students.

Chinese Language Enhancement Programmes are elective and non-credit bearing.

3. English Writing Centre
4. Self-Access Centre

F. THE LINGNAN COLLEGE

1. Compulsory Courses :

English Foundation Course is a non-credit-bearing programme for most first-year students. It is run alongside regular courses and is designed to equip students with the basic skills needed to function successfully in an English-medium tertiary institution. Students with Grade "D" or above in the Advanced Supplementary Level "Use of English" subject may be exempted from this course.

Chinese Foundation Courses are designed for students who do not meet any of the following requirements:

- obtained a Grade "C" or above in Chinese Language in the Hong Kong Certificate of Education Examination;
- obtained a Grade "E" or above in Chinese Literature or a Grade "C" or above in Chinese Language & Culture in the Hong Kong Advanced Level Examination;
- obtained a Grade "C" or above in the course "Communication in Modern Chinese" in the College; or
- completed one of the Chinese Foundation courses.

(Students may also enrol in these courses on a voluntary basis.

2. Language Centre has been recently established to co-ordinate and extend the provision of language courses throughout the College.
3. Self-Access Centre is a language resource centre where students will find extensive language learning materials for four main languages: English, Putonghua, Japanese and French. A variety of media and trained staff are available to assist the students. As part of this centre, the Writing Centre offers help to students with writing problems in English, where one-to-one consultation with English teachers is available. Conversation groups are also offered.

G. THE UNIVERSITY OF HONG KONG

1. Compulsory Courses:

English Enhancement Courses are compulsory for all first-year undergraduates in all faculties. Typically, these are run in both semesters with a total of 60 hours, including a component of guided self-access work. The number of students taking such courses in 1995-96 was 3 035.

HKU normally requires candidates for admission to have obtained a Grade D in the Use of English examination. Candidates with good HKCEE results but only a Grade E in the Use of English in the AS Level are, according to the University's announced policy, eligible for admission to a number of BSc programmes and to the BEng curriculum. Such students are identified at the start of the English enhancement programmes, and their progress is carefully monitored by the English Centre. They are encouraged to take advantage of the self-access learning facilities and provided with advice and assistance by the consultants of such services.

Business Communication Course (24 hours) are funded by the Business School as an additional compulsory course for second-year undergraduate students. This course involves 136 students.

Chinese Language Enhancement Programmes are offered to students from the Faculties of Architecture, Engineering, Law, Medicine, Science and the School of Business in 1995-96, and also the Faculty of Social Science starting in 1996-97. In the case of Medicine, the course was specifically designed for first-year MBBS students. Only the Department of Architecture has made this programme compulsory for its students.

2. Optional Courses

Additional Putonghua and Intensive Putonghua Course.

Intensive Voluntary Course (including the Summer Institute and other intensive courses) In the summer of 1996, an additional Putonghua course was specifically offered to Engineering students, and an intensive Putonghua course to students in the School of Economics and Finance. These courses will be offered again in the summer of 1997, with an additional intensive Putonghua course to the Medical students.

English Enhancement Programmes for Postgraduate Students (on Writing support service, Thesis writing workshop and Oral English skills.)

3. Self-Access Consultancy Services

MECHANISM ADOPTED BY THE PUBLICLY-FUNDED UNIVERSITIES TO ASSESS STUDENTS' STANDARD IN ENGLISH AND CHINESE LANGUAGES

Institution	Details of mechanism adopted by the institution to assess students' standard in English and Chinese languages
CUHK	<p><u>Credit-bearing Courses</u></p> <p>As a formal mechanism for assessing the language standards of students who take the credit-bearing elective language proficiency courses and the language courses required by Faculties, they have to sit for and pass the examinations for the courses before they can earn the credits. Students who fail the examinations have to take the courses again and re-sit for the examinations.</p> <p><u>Non-credit-bearing Courses</u></p> <p>It is planned that students have to sit for and pass the examinations for the compulsory enhancement courses on English, Cantonese and Putonghua which are being planned for introduction in the University. The intensive courses will not be credit-bearing but the University will consider recording the results of the examinations in the students' transcripts.</p>
CityU	<p><u>Credit-bearing Courses</u></p> <p>Language modules are offered as part of the undergraduate curricula as appropriate and are credit-bearing. Each module has its own assessment method, for example, by coursework and/or examination which is related to the specific objectives of the module rather than to overall language proficiency. Students are required to pass all modules, including these language modules, before they can progress or graduate. Students may need to fulfil pre-requisite requirement before they are allowed to take another language module and they should obtain a pass in the module for successful completion of the course they enrolled in. At present, there is no exit Chinese or English requirement as such.</p> <p><u>Non-credit-bearing Courses</u></p> <p>All language enhancement courses organized by the Language Institute are non-credit-bearing but students are required to take achievement tests at the end of the course.</p>
HKBU	<p><u>Credit-bearing Courses</u></p> <p>There is on-going assessment, through the reading/writing assignments, written projects, oral presentation, written tests, etc for students taking the required credit-bearing language courses. Final examinations are also required for most of these courses. Though students who fail in any of the required language subjects are still</p>

Institution	Details of mechanism adopted by the institution to assess students' standard in English and Chinese languages
HKBU (cont'd)	<p>allowed to progress into subsequent years of undergraduate study, they will have to repeat the subjects concerned until a pass is achieved for graduation. All examination papers and the markings are monitored by External Examiners.</p> <p><u>Non-credit-bearing Courses</u></p> <p>There is on-going assessment. Students' progress is monitored closely and individual needs are addressed when necessary.</p>
PolyU	<p><u>English Language</u></p> <ul style="list-style-type: none"> • There is continuous assessment of the English Language ability of all students on the "Service-English" programmes through a series of assignments, tests and lecturers' evaluation and, in one or two cases, an examination. • Currently there is no pre-requisite language requirement before students graduate from their studies except that they have to successfully complete the specified English components of their course (if any). All degree students from the 1997/98 academic year onwards will be required to undertake two components (one component for sub-degree students) each of 42 hours of English tuition as a mandatory <u>minimum</u> requirement. Students will be required to pass the English component(s) of their course before they can graduate. • The University is introducing the Graduating Students Language Proficiency Assessment (GSLPA) in 1998. This will be compulsory for all language-based courses but "voluntary" for students of other courses. <p><u>Chinese Language</u></p> <ul style="list-style-type: none"> • Where a subject on Chinese language skills forms an integral part of a programme of study, there will be formal compulsory assessment usually in the form of continuous assessment (as opposed to end-of-period examination), which includes a series of tests/tasks throughout the period of the subject, with or without a larger-scale test at the end of the period. In general, before a student progresses, he is required to pass a subject (whether a language subject or not) which is considered to be a pre-requisite for another subject in the following year of study.

Institution	Details of mechanism adopted by the institution to assess students' standard in English and Chinese languages
PolyU (Cont'd)	<ul style="list-style-type: none"> • In 1995/96, exit tests on Chinese language proficiency, comprising a test on written Chinese proficiency and a test on Putonghua proficiency, were launched. The tests were made available to graduating students of programmes with a substantial Chinese language component. These students were encouraged to take the tests on a voluntary basis. However, starting from 1998/99, students of language-oriented programmes will be required to undergo the GSLPA.
HKUST	<ul style="list-style-type: none"> • Students whose grade on the Use of English AS Level examination are below C must get a pass in the English for Academic Purpose course, or face dismissal. With rare exceptions, this requirement must be satisfied by the end of the summer session preceding the second year of study. All students on the BBA and BEng programmes are also required to obtain a pass in the specific English enhancement courses designed for them. • The University is considering to require all its students to take English language enhancement courses in all six semesters of study. These courses will be credit-bearing and students' performance will be assessed on a continuous basis.
LC	<p><u>Exit Language Examination</u></p> <ul style="list-style-type: none"> • The College requires all students on its undergraduate programmes to sit "Exit" tests in English and Chinese. The "Exit" tests will be introduced tentatively to students admitted from the 1997-98 academic year. • These tests are general proficiency tests aimed to ensure that graduates are competent to fulfill the language needs of the workplace. • The scores for these tests form part of a student's official transcript and are presented as Fail, Pass, Credit, or Distinction. Graduation is not dependent on successful completion of the exit tests. Students who fail one or more of the tests may retake the following year and may be awarded a Pass grade if successful, and only the latest results will be shown in the transcript. <p><u>Credit-bearing courses</u></p> <p>Assessment is either in the form of a year-end examination or continuous assessment throughout the term/year when the course is undertaken. Graduation is dependent on successful completion of these courses.</p>

HKU	<p><u>English Language Enhancement Programme</u></p> <ul style="list-style-type: none">• Most compulsory English Enhancement programmes are credit-bearing courses, and grades usually appear on academic transcripts. Most courses are assessed by means of assignments and a final written test, although the Business Communication course is assessed by means of assessed course-work tasks. Failure in an English Enhancement programme does not normally bar progression to later years of study, but failing students will be required to repeat the programme. English Enhancement courses are normally a requirement before graduation is possible.• Voluntary courses are normally not assessed, but students may obtain an attendance certificate if they wish. <p><u>Chinese Language Enhancement Programme</u></p> <p>The Chinese language enhancement courses are normally non-credit-bearing and are taken by students on a voluntary basis. The Department of Architecture, however, makes the Chinese language course compulsory for its second-year students. The Faculties of Science and Social Sciences require students to take one-paper examination at the end of the course. Continuous assessment is conducted during all these courses.</p>
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End

Housing Department to launch territory-wide public education campaign

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Following is a question by the Hon Zachary Wong and a written reply by the Secretary for Housing, Mr Dominic Wong, in the Legislative Council today (Wednesday):

Question:

At the LegCo sitting on 16 October 1996, the Secretary for Housing stated that the occurrence of incidents of injuries caused by falling objects in public housing estates was more obvious in Tseung Kwan O and Tuen Mun. In this connection, does the Government know:

- (a) of the five districts in which the problem of incidents of injuries caused by falling objects was most serious in the last three years, together with the number of such incidents in each district; and
- (b) of public housing estates in the districts mentioned in the answer to (a) above which are not provided with covered walkways; and what measures have been put in place by the Authority concerned to ensure the safety of residents living in these estates?

Answer:

Mr President,

In the past three years, there were 38 reported incidents of injury caused by falling objects in public housing estates. The highest number of incidents occurred in Tseung Kwan O (seven incidents), Tuen Mun (six incidents), Shatin (five incidents), Kowloon West (three incidents), and Hong Kong West (three incidents). A breakdown by estates is at Annex.

Covered walkways have been provided in all the estates listed in the Annex, except Tin King Estate, Sha Kok Estate and Cheung Sha Wan Estate. A covered walkway in Sha Kok Estate will be completed by the end of this month. Construction work for a covered walkway in Tin King Estate 2 will begin in mid-1997. No covered walkway can be provided in Cheung Sha Wan Estate owing to site constraints. Nevertheless, alternative measures, such as increased patrol and regular use of estate newsletters and posters to remind residents of the danger resulting from falling objects, are in place to safeguard residents' safety.

In addition to providing covered walkways, the Housing Department will continue to remind residents of the importance of preventing objects falling from their flats. The Department has launched a territory-wide public education campaign in public housing estates and one of the key themes is on 'falling objects from above'. The campaign uses posters, estate newsletters, roving exhibitions and the media to remind residents of their responsibility and the danger to other people posed by falling objects.

Annex

District	Estates	Number of incidents	Total number of incidents in the district
Tseung Kwan O	Po Lam Estate	5	7
	Tsui Lam Estate	2	
Tuen Mun	Tin King Estate	2	6
	Leung King Estate	2	
	Tai Hing Estate	1	
	Wu King Estate	1	
Shatin	Chuk Shek Estate	2	5
	Sun Tsui Estate	1	
	Sha Kok Estate	1	
	Kwong Yuen Estate	1	
Kowloon West	Cheung Sha Wan Estate	1	3
	Shek Kip Mei Estate	2	
Hong Kong West	Shek Pai Wan Estate	2	3
	Lei Tung Estate	1	

End

Insider Dealing Tribunal to safeguard interests of investors

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Following is a question by the Hon Emily Lau Wai-hing and a written reply by the Secretary for Financial Services, Mr Rafael Hui, in the Legislative Council today (Wednesday):

Question:

It is learnt that the Insider Dealing Tribunal has recently ordered a chairman of a company identified as an insider dealer not to be a director of a listed company for one year, but the ban will not take effect until December 1997. The Insider Dealing Tribunal has also ordered him to pay a fine of \$1.46 million and imposed an added penalty of \$1.7 million. It is also learnt that the person concerned has resigned from the chairmanship of the company with effect from 1 December last year and has appointed his wife to replace him as the company's chairman, but he would continue to render his expertise and experience to the company. In this connection, will the Administration inform this Council of the measures which will be taken by the authorities concerned to safeguard the interests of investors should similar incidents occur in the future?

Answer:

We believe that the question is in relation to a recent case dealt with by the Insider Dealing Tribunal which ordered, inter alia, that

- (a) a chairman (the person concerned) of a listed company identified as an insider dealer shall not for a period of one year from 1 December 1996 without leave of the High Court be a director or a liquidator or a receiver or manager of the property of any listed company or the subsidiaries of any listed company or in any way, whether directly or indirectly be concerned in, or take part in the management of any listed company or its subsidiaries; and
- (b) penalties of \$3.16 million (i.e. \$1.46 million, being the full amount of the loss avoided plus \$1.7 million, being the penalty) be imposed against the person concerned.

Any person who is subject to a prohibition order and who participates in any way in the affairs of a company to which the prohibition applies should take care that his participation is not in breach of the scope of the prohibition. Under section 30 of the Securities (Insider Dealing) Ordinance (Cap. 395), contravention of a prohibition order is a criminal offence, punishable by fines and imprisonment.

The order of the Insider Dealing Tribunal in question does not pose any bar whatsoever against the wife of the person concerned from serving as a director of the concerned company or any other company. It was announced by the company on 13 December 1996 that the person concerned resigned as director and executive director on 28 November 1996 but would continue to render his expertise and experience to the company as a consultant under a service contract. Our legal advice is that no action would need to be taken as long as the activities and action of the person concerned are not in contravention of the prohibition order. The Securities and Futures Commission, as the regulator of the securities market, will take the necessary action within its powers under the law if it appears that there has been a breach of the prohibition order, or the interests of investors are compromised.

End

Trading of warrants and covered warrants

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Following is a question by the Hon Chim Pui-chung and a written reply by the Secretary for Financial Services, Mr Rafael Hui, in the Legislative Council today (Wednesday):

Question:

Regarding the trading of warrants and covered warrants, does the Government know:

- (a) given that each listed company may have, in addition to its ordinary shares, a number of warrants and covered warrants which can be traded in the market, whether the authorities concerned have examined if such trading will affect the development of the market; if so, what the details are;
- (b) whether the authorities concerned have considered introducing legislation or issuing guidelines to regulate such trading; and
- (c) whether the authorities concerned have assessed the impact of these products on the levy of stamp duty on securities?

Answer:

- (a) An active derivative market is a positive feature and a natural development of a sophisticated financial market as long as the risk management systems and the regulatory aspects involved have been fully addressed. Warrants and derivative warrants provide companies alternatives for raising capital. They also add to the range of products available to the investing public, and are useful instruments for hedging and spreading risks.

There has been growing demand from retail investors for derivative warrants in particular. The trend is indicative that warrants have provided them access to certain securities which used to be the preserve of institutional investors and high net worth individuals.

Hong Kong's warrants and covered warrants market is now relatively mature and is one of the most active in Asia. Studies by academics and market professionals have indicated that the introduction of derivatives has not affected the trading volume of the underlying securities or increased their volatility. While there is evidence of futures-induced short-run volatility, such as that occurring on futures contract expiration days, such volatility does not appear to carry over to longer periods of time. On the contrary, since warrants have a limited life, transaction volumes would be increased when new warrants are replaced or re-issued after expiration of the old warrants. In general, the development of the market has helped to consolidate Hong Kong's position as a premier regional financial market.

- (b) There is a comprehensive set of rules governing the listing and trading of warrants and covered warrants. These rules aim at ensuring the quality and independence of the issuers, the appropriateness of the underlying shares for the issue of such warrants, and the number of warrants that may be issued on particular securities. For example:

- Issuers or guarantors must be of suitable financial standing with net assets of over \$1 billion if regulated by specified bodies (namely, the Hong Kong Monetary Authority, overseas regulatory authorities acceptable to the Stock Exchange of Hong Kong Ltd (SEHK), or those which are regulated by the SFC as registered dealers under the Securities Ordinance), or \$2 billion otherwise.
- Controlling shareholders are prohibited from issuing warrants on their own shareholdings.

- Issuers must make periodic financial reports to the SEHK.
- Underlying securities must have market capitalization of at least \$10 billion and public float of at least \$4 billion, or otherwise have exceptionally high liquidity as required by the SEHK.
- The aggregate number of warrants over a particular underlying share must not exceed 20% of total issued shares or 30% of public float.

These rules are closely monitored and revised from time to time to keep abreast of changes in the market.

In addition, the SFC maintains a data base in relation to derivative warrants and regularly tracks the market values of outstanding warrants and the expected changes in such values under various hypothetical market movements using options pricing models. This is done on a per warrant basis, per underlying stock basis, per issuer basis, and in aggregate. The SFC also collects periodic data on the hedging positions of warrant issuers, including hedging in underlying stocks.

- (c) While warrants trading may appear to reduce stamp duty revenue in the sense that warrants could be perceived as a lower priced proxy for the underlying securities, its impact on revenue is usually positive because warrant issuers often hedge their exposures via delta hedging, involving purchases and sales of the underlying securities, which in turn generate stamp duty revenue. Moreover, stamp duty is payable if the warrants are exercised into the underlying securities and stamp duty is also payable for the trading of warrants. The impact of derivatives warrants trading on stamp duty must therefore be positive.

End

Linked exchanged rate system

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Following is a question by the Hon Christine Loh Kung-wai and a written reply by the Secretary for Financial Services, Mr Rafael Hui, in the Legislative Council today (Wednesday):

Question:

At present, the linked-rate system linking the exchange rate of the Hong Kong dollar to the United States dollar is an administrative practice and is not enshrined in law. As Article 111 of the Basic Law stipulates that the issue of Hong Kong currency must be backed by a 100 per cent reserve fund and that the system regarding the issue of Hong Kong currency and the reserve fund system shall be prescribed by law, will the Administration inform this Council whether it plans to introduce legislation establishing the linked exchange rate system on a firm legal basis before 30 June 1997; if not, why not?

Reply:

We have already met the requirements of Article 111 of the Basic Law referred to in the question. The Exchange Fund Ordinance provides for the legal framework for the reserve fund system. Section 4(1) of the Ordinance requires note-issuing banks to pay to the Financial Secretary for the account of the Exchange Fund the face value of the bank notes they issue or the equivalent in foreign exchange against a certificate of indebtedness issued by the Financial Secretary which they hold as backing for their note issue. Section 3(3A) of the Ordinance stipulates that the value of any coinage issued shall be credited to the Exchange Fund. This provides that the face value of the coins will go to and in effect be backed by the Exchange Fund. The Legal Tender Notes Issue Ordinance and the Coinage Ordinance respectively provide for the legal framework for the issue of legal tender notes and coins in Hong Kong.

The Hong Kong Government is fully committed to the maintenance of the linked exchange rate system, as demonstrated by the track record in the past 13 years as well as our efforts to strengthen the monetary management system for the purpose of ensuring exchange rate stability. These include the introduction, in the past several years, of the Accounting Arrangements which allows the Exchange Fund to have effective control over the level of inter-bank liquidity; the Exchange Fund Bills programme which strengthens the Hong Kong Monetary Authority's (HKMA) ability to conduct open market operations; the Liquidity Adjustment Facility which enables the HKMA to influence short-term inter-bank interest rates. Recently, the HKMA has signed a series of bilateral repurchase agreements (involving the use of United States Treasury papers as collaterals) with eight central banks in the region to enhance further their co-operation in the efforts to maintain currency stability. There is now a high degree of credibility, both locally and internationally, on the Hong Kong Government's commitment and ability to maintain the link in the future.

Given that we have already met the requirements stipulated in Article 111 of the Basic Law and that the linked exchange rate is already a well-established system, we do not consider it necessary to introduce any new and separate legislation in respect of the exchange rate which, in any case, is not a matter for specific legislation in most other places.

End

Unemployed people in receipt of CSSA

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Following is a question by the Hon Li Wah-ming and a written reply by the acting Secretary for Health and Welfare, Mrs Doris Ho, in the Legislative Council today (Wednesday):

Question:

It is reported that the number of recipients of unemployment assistance at the end of last year has risen by nearly 90 percent, compared to those at the end of the previous year. In this connection, will the Government inform this Council:

- (a) of the reasons for the substantial rise in the number of recipients of unemployment assistance whereas the unemployment rate last year, as released by the Census and Statistics Department, showed a continuous decrease; and

- (b) whether the Government has any plan to grant additional allowances (such as allowances for transport expenses and monthly fee for pager service) to recipients of unemployment assistance, to enable them to meet the necessary expenses while seeking employment, and to encourage them to actively look for jobs; if so, when such a plan will be implemented; if not, why not?

Reply:

- (a) The increase in the number of unemployed people in receipt of Comprehensive Social Security Assistance (CSSA) benefits may be due to a number of factors, such as greater public awareness of the Scheme, improved level of benefits as well as a change in attitude towards receiving CSSA.

Greater efforts have been made to publicize the Scheme. For example, the Labour Department informs all those who register as unemployed about the Scheme, and new immigrants are also specifically informed about the Scheme on arrival in Hong Kong.

The improvements to the CSSA Scheme introduced in April 1996 have also allowed more people to become eligible for CSSA.

Nevertheless, it should be noted that while the number of CSSA unemployed cases did grow substantially by about 90% between 1995 and 1996, the growth rate slackened towards the end of 1996 to about 60% on a year-to-year basis.

- (b) Travelling expenses incurred in registering with the Labour Department and job interviews are covered by a special grant under the CSSA. There are also special grants for telephone charges (one-off and recurrent). We do not think that there is a case for introducing additional allowances for such items as pagers which are not essential for job-hunting purposes. According to Commissioner for Labour, a contact address or a contact telephone number should be able to provide adequate avenue for keeping in touch with potential employers.

It has always been our policy to encourage CSSA recipients, especially those who have the ability to work, to seek employment to support themselves rather than rely on Government assistance -

- (i) able-bodied adult CSSA recipients aged between 15 and 59 are required to register with the Labour Department : these job seekers are offered priority in their registration with the Local Employment Service; and they will be advised to join the Employee Retraining Scheme, if it is considered useful in helping them to find employment; and
- (ii) there are provisions in the Scheme which encourage unemployed persons to look actively for work. These include the arrangement to disregard, when making an assessment on CSSA entitlement, any retraining allowance received by the unemployed person.

End

Hospital Authority's reviews on service utilisation

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Following is a question by Dr the Hon Huang Chen-ya and a written reply by the acting Secretary for Health and Welfare, Mrs Doris Ho, in the Legislative Council today (Wednesday):

Question:

As the Utilisation Reviews conducted by the Hospital Authority have assisted in containing expenditure on medical expenses and reducing wastage, does the Government know:

- (a) whether the Hospital Authority has conducted any Utilisation Review on the number of admissions, length of hospitalisation, diagnostic and surgical procedures as well as use of drugs in the various specialist services; if not, why not; and
- (b) if the answer to (a) is in the affirmative, of the items in each specialist service which have been identified as inappropriately utilised, their utilisation rates, the reasons for inappropriate utilisation, and the proportion of the wasted resources to the total expenditure in each specialist service?

Reply:

The Hospital Authority adopts good management practice by examining regularly the utilisation pattern, mode of delivery and cost-effectiveness of different services to identify potential scope for economisation and/or resource redeployment. Variations from agreed benchmarks are carefully examined with a view to improving service efficiency.

Apart from the annual planning process which provides a broad basis for each hospital to indicate the service volume, quality and performance targets in the form of a service agreement, some major reviews on service utilisation carried out by the Hospital Authority are set out below:

- medical audit provides a peer review mechanism in which the entire clinical care process, including length of hospitalisation and method of treatment, is critically appraised to evaluate and improve the standard of service.
- drug utilisation review committees have been established at both the hospital and head office levels to contain expenditure through dissemination of data on consumption patterns, prudent introduction of new drugs and implementation of good prescription practices.
- accident and emergency service is reviewed at periodic intervals to monitor the utilisation pattern and trend of admission, as well as to identify pressure points for better demand management, service reorganisation and staff deployment.
- value for money studies are carried out in respect of selected clinical support services, including diagnostic procedures, to promote the use of best practices and optimal utilisation.
- specialty costing is conducted each year to generate service utilisation profile as an agreed benchmark for each clinical specialty.
- in line with the corporate strategy of "outcome focused service delivery" and evidence based medical practice, information on patient's casemix, treatment outcome and costing is systematically collected and analysed to formulate clinical guidelines/protocols.

New initiatives arising from the above reviews cover "continuous quality improvement" and "outcome management" projects to enhance clinical outcome and optimise resource utilisation, more vigorous public education on the proper use of accident and emergency services, rationalisation of service induced by unfavourable variance compared with the benchmark set by specialty costing, as well as efforts to minimise variations in clinical management among different hospitals through clinical guidelines and protocols. Although the impact of these improvement measures cannot be clearly quantified, they have contributed significantly towards enhancing the effectiveness and efficiency of services delivery.

End

Transaction levies in trading stocks

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Following is a question by the Hon Chim Pui-chung and a written reply by the Secretary for Financial Services, Mr Rafael Hui in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council:

- (a) given that the Government favours the adoption of the user-pay policy, of the reasons for requiring investors to bear the transaction levies in addition to brokerage and to pay stamp duties in trading stocks;
- (b) whether the authorities concerned will consider abolishing the transaction levies imposed on investors; if not, why not; and
- (c) whether the authorities concerned have considered if the above multiple-tax and multiple-fee policy will affect the territory's status as an international financial centre?

Reply:

- (a) The arrangement whereby the purchaser and the seller of securities recorded on the Stock Exchange of Hong Kong (SEHK) are required to pay a transaction levy is provided under section 52 of the Securities and Futures Commission Ordinance (Cap. 24). The transaction levy now contributes towards the funding of the Securities and Futures Commission (SFC) and the SEHK which are the bodies responsible for the regulation and operation of the securities market. To the extent that the two bodies serve the interests of the investing public, the levy arrangement is in line with the user-pay principle.

- (b) As always, we are prepared to consider any proposal to reduce the total transactions costs of which transaction levy only forms a part. The securities market is well aware of our position.
- (c) We do not think that the present level of costs for securities transaction would adversely affect Hong Kong's status as an international financial centre. Our overall transaction costs compare favourably with those of other securities markets in the region, including Singapore and Tokyo. Nevertheless, we are mindful of the need to keep securities transaction costs in Hong Kong as low as possible. Over the years, we have taken a number of steps to reduce costs. The stamp duty has been reduced on three occasions since 1991 from 0.30% to 0.15%. The transaction levy has also been reduced twice since 1993 from 0.025% to 0.013%, and the Special Levy was suspended in August 1993. Regrettably, the same cannot be said of the third element which makes up the total transaction cost, namely fixed commissions. There are on-going discussions between the SFC and the SEHK, as well as within SEHK itself, regarding further ways of reducing transaction costs.

End

Overseas medical treatment for civil servants

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Following is a question by the Hon Emily Lau and a written reply by the Secretary for the Civil Service, Mr W K Lam, in the Legislative Council today (Wednesday):

Question:

It is learnt that the medical expenses amounting to HK\$1 million incurred by a directorate officer of the Architectural Services Department, who went to the United States several months ago for treatment of disorders of cardiac blood vessels, were paid for by the Government. In this connection, will the Government inform this Council whether:

- (a) it is aware of the above case; if so, of the basis on which the authorities concerned granted approval for the expenses to be paid by the Government; and what monitoring measures are in place to prevent the abuse of the arrangement of permitting civil servants to receive medical treatment in a foreign country;

- (b) there is an upper limit on the amount of payment by the Government in respect of the medical expenses incurred by a civil servant who is permitted to receive medical treatment in a foreign country; and
- (c) all civil servants are eligible to apply for receiving medical treatment in a foreign country?

Replay:

Mr President,

- (a) The Government is aware of this case. The officer was recommended to receive medical treatment in the United States for a serious and rare health condition. The form of treatment prescribed is not available in Hong Kong. Under existing policy, serving civil servants may be sent abroad for medical treatment and be reimbursed for the necessary costs involved provided that the treatment is essential on medical grounds, that such treatment is not available in Hong Kong, and that prior approval has been obtained from the Director of Health. In processing applications, advice will be sought from the attending Hospital Authority doctor, a second doctor in the Hospital Authority headquarters, and a third doctor in the Department of Health. These criteria have been applied in the case in question. The amount reimbursed was about \$640,000.
- (b) There is no upper limit set on the reimbursement of the cost of overseas medical treatment. However, only the cost of treatment which fulfils the relevant criteria will be reimbursed. The cost of any follow-up treatment which could be carried out in Hong Kong will not be reimbursed. The criteria are applied strictly and we are confident that there have been no abuses of these arrangements.
- (c) Civil servants are eligible to apply to receive medical treatment in a foreign country, subject to the conditions listed in my answer to part (a) of this question.

End

CSSA cases in past three years

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Following is a question by the Hon Cheng Yiu-tong and a written reply by the acting Secretary for Health and Welfare, Mrs Doris Ho, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council of the following in the past three years:

- (a) the respective proportions of Comprehensive Social Security Assistance (CSSA) cases in the unemployed and low-income categories to the total number of CSSA cases;
- (b) the average number of unemployed persons per household of the CSSA recipients in the unemployed category, together with a breakdown of the trades in which they were formerly engaged and the types of jobs in which they were employed.
- (c) the number of CSSA recipients in the unemployed category who were unemployed for a total period of -
 - (i) less than six months,
 - (ii) six months to less than one year,
 - (iii) one to less than two years,
 - (iv) two to less than four years, and
 - (v) four years or above,

and the total number of recipients in the above groups who were aged between 20 and 50 and processing academic qualifications above secondary three level; and

- (d) the average number of working persons per household of the CSSA recipients in the low-income category, together with a breakdown of their respective occupations and positions held?

Reply:

- (a) During the period 1994 to November 1996, the percentage of "unemployed" and "low earnings" cases to all Comprehensive Social Security Assistance (CSSA) cases is set out as follows:

as a percentage of all CSSA cases

<u>Year</u>	<u>"Unemployed" cases</u>	<u>"Low earnings" cases</u>
1994	4%	1%
1995	6%	1%
1996(Jan-Nov)	8%	2%

- (b) In the same period, a CSSA "unemployed" household had, on average, one unemployed eligible member. We do not have information on the trades and jobs in which these people were previously engaged.
- (c) In the past three years, about 70% of the CSSA recipients in the "unemployed" category were aged between 20 to 49. We do not have ready information on the duration of unemployment nor the education attainment of CSSA recipients.
- (d) In the past three years, a CSSA "low earnings" household had, on average, one working eligible member. We do not have ready information on the trades and positions in which these recipients were engaged.

End