

## LCQ3: Maximum coverage for mortgage loans provided under Mortgage Insurance Programme

Following is a question by the Hon Chan Chun-ying and a reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (June 27):

Question:

In February 2015, the Hong Kong Mortgage Corporation Limited tightened the arrangements under the Mortgage Insurance Programme (MIP) by reducing the maximum MIP coverage for eligible residential properties from 90% loan-to-value (LTV) ratio to 80 per cent LTV ratio, and suspending the acceptance of applications for mortgage loans exceeding 80 per cent LTV ratio. However, those first-time home buyers with regular income and stronger repayment ability are still eligible for MIP coverage of 90 per cent LTV ratio. Some members of the public have pointed out that in recent years, developers have calculated the maximum property price affordable to first-time home buyers on the basis of the maximum MIP coverage and the mortgage loan amounts generally approved by banks for first-time home buyers. For instance, when the per-square-foot price is \$10,000, a home buyer who can afford a property price of \$4 million will be able to buy a flat of 400 square feet; when the per-square-foot price rises to \$20,000, he can only buy a flat of 200 square feet. As the price per square foot of flats has been rising incessantly in recent years, the size of the residential flats built by developers according to the price affordable to buyers has become smaller and smaller. In this connection, will the Government inform this Council:

(1) of the number of residential mortgages covered by the MIP each year since the tightening of the arrangements under MIP and, among them, the number and percentage of such mortgages involving flats with saleable floor area less than 20 square metres; how such figures compare with the relevant figures for the two years immediately preceding the revisions;

(2) whether it has conducted studies on the correlation between the tightening of the arrangements under the MIP and the prevalence of nano residential flats; if so, of the details; if not, the reasons for that; and

(3) whether it will consider regulating nano flats, such as stipulating the minimum size of residential flats through administrative measures?

Reply:

President,

The Mortgage Insurance Programme (MIP) was launched by The Hong Kong

Mortgage Corporation Limited (HKMC) in March 1999 to promote home ownership in Hong Kong. According to the guideline issued by the Hong Kong Monetary Authority (HKMA), banks have to comply with loan-to-value (LTV) requirement on owner-occupied residential mortgage lending. The MIP provides mortgage insurance to banks, thereby enabling banks to provide mortgage loans with higher LTV ratio without incurring additional credit risk. Under the MIP, banks are the mortgage loan providers. The mortgage insurance aims to protect participating banks from losses, in general, on the portion of the loan over the 60 per cent LTV threshold due to mortgage default by the borrowers. Therefore, in addition to promoting home ownership, the MIP also contributes to the maintenance of banking stability.

Having consulted the relevant bureaux, my reply to various parts of the question raised by the Hon Chan Chun-ying is as follows:

(1) The numbers of loans drawn down under the MIP of HKMC in the past few years were 4,925 for 2015, 7,145 for 2016 and 8,829 for 2017 respectively. The number of loans drawn down under the MIP for residential properties with a saleable area equal to or under 200 square feet accounts for a small percentage of the total number of loans drawn down. The corresponding numbers of loans drawn down in the past three years were 49 for 2015, 57 for 2016 and 164 for 2017 respectively, accounting for less than two per cent of the total number of loans drawn down. Please refer to Annex for details on the number and ratio of loans drawn down under the MIP in the past five years.

(2) The size of residential properties reflects changes in the supply and demand of the property market. As one of the financing tools, the MIP has no direct correlation with the size of residential properties.

(3) We need to strike a reasonable balance between housing production and average living floor area per person, as both the increase in housing production to address needs for accommodation and the increase in average living floor area per person to improve living standard would require additional land. In view of the imbalance in supply and demand for land and housing, and given the fact that property prices are soaring continuously, our current priority is accorded to increasing housing production to meet the basic accommodation needs of the public. Besides, as a pluralistic society, there are diverse aspirations in respect of flat size. In the longer run, we consider that when the land shortage situation is alleviated, our society will be in a better position to explore whether a standard on average living floor area per person should be set.

The Government has reminded the public repeatedly on different occasions that buying a property is not only one of the most important decisions in life, it is also a financial transaction entailing significant leverage through borrowing. They must be mindful of their ability to cope with the potential risk that may arise from possible changes in the economic and market conditions as well as mortgage interest rates and do not overstretch themselves. In particular, prospective buyers should ensure that they fully understand the detailed terms and conditions if they opt for the mortgage plans offered by property developers. While the incentives may look

attractive in the short term, prospective buyers should take into account any changes that may occur in the future, assess carefully their repayment ability and make a shrewd and prudent decision.

The Government and the HKMA will continue to monitor the property and mortgage markets closely, and will adjust the relevant supervisory measures as and when necessary to ensure that banks are managing their risk properly.

---

## **Red flags hoisted at Ma Wan Tung Wan Beach and Kadoorie Beach**

Attention TV/radio announcers:

Please broadcast the following as soon as possible:

Here is an item of interest to swimmers.

The Leisure and Cultural Services Department announced today (June 27) that the Environmental Protection Department has classified the water quality at Ma Wan Tung Wan Beach in Tsuen Wan District and Kadoorie Beach in Tuen Mun District as Grade 4, which means the beaches are not suitable for swimming. The red flags have been hoisted. Beach-goers are advised not to swim at the beaches until further notice.

---

## **LCQ19: Regulation of activities for soliciting donations from the public**

Following is a question by the Dr Hon Elizabeth Quat and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (June 27):

Question:

It has been reported that in recent months, some people have launched an online activity for soliciting donations in order to raise fund to support them in meeting the legal and administrative expenses, etc. that will be incurred in pursuing an investigation into an incident. Regarding the regulation of such activities, will the Government inform this Council:

(1) whether the Inland Revenue Department (IRD) will, on its own initiative or upon receiving reports, conduct investigations to ascertain if such activities for soliciting donations involve the tax obligations under the Inland Revenue Ordinance (Cap. 112), and take follow-up actions; if IRD will not, of the reasons for that;

(2) whether the law enforcement departments will, on their own initiative or upon receiving reports, conduct investigations to ascertain if such activities for soliciting donations involve (i) infiltration into Hong Kong by foreign forces and their money or (ii) money laundering activities, and take follow-up actions; if the law enforcement departments will not, of the reasons for that; and

(3) whether the law enforcement departments will, on their own initiative or upon receiving reports, conduct investigations to ascertain if such activities for soliciting donations involve the offence of champerty, and take follow-up actions; if the law enforcement departments will not, of the reasons for that?

Reply:

President,

Upon consultation with relevant bureaux and departments, our consolidated reply to the questions is as follows:

(1) Pursuant to the Inland Revenue Ordinance (IRO) (Cap. 112), the Inland Revenue Department (IRD) charges profits tax on any person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits. The person should declare his assessable profits in his tax return. Under the secrecy provisions in the IRO, the IRD cannot disclose the information of any person and will not comment on individual cases.

(2) The Government and our law enforcement agencies (LEAs) spare no effort in combatting money laundering. The Organised and Serious Crimes Ordinance (Cap. 455) stipulates that where a person knows or suspects that any property in whole or in part directly or indirectly represents any person's proceeds of an indictable offence, he shall as soon as it is reasonable for him to do so disclose that knowledge or suspicion, together with any matter on which that knowledge or suspicion is based, to the Joint Financial Intelligence Unit (JFIU) by way of submitting a suspicious transaction report (STR). The JFIU will analyse all STRs submitted, and refer to relevant LEAs for follow-up as appropriate.

(3) If the Police discover that someone is suspected of committing champerty, they will conduct investigation and follow-up. Should a member of the public suspect that someone has committed champerty, he or she should file a report to the Police.

---

## Overview of tuberculosis in Hong Kong in 2017

The Tuberculosis and Chest Service (TB&CS) of the Public Health Services Branch of the Centre for Health Protection of the Department of Health received 4 306 tuberculosis (TB) cases (provisional figure) in 2017, representing 58 cases per 100 000 members of the population, the lowest level on record.

The TB&CS of the DH announced today (June 27) the TB cases filed to DH locally as well as TB clusters in the school setting in 2017.

People in the usual school age of 3 to 24 accounted for 283 cases among the notified cases in 2017. The figures for cases involving those aged 3 to 24 ranged between 250 and 350 annually in the previous three years.

According to the data as of May 31 this year, there were 15 clusters of TB cases in the school setting last year. Most of them (86.7 per cent) appeared in secondary schools and tertiary institutions. The cluster sizes ranged from two to 15 cases, with a median of four cases. For clusters detailed by type of school and month in the school setting in 2017, please refer to Figures 1 and 2 in the attachment. The data has also been uploaded to the [TB&CS webpage](#) of the DH.

"As TB is an airborne disease, clustering of TB cases in the school setting occurs from time to time, often related to delayed presentation or diagnosis of the infectious source hindering early identification," a spokesman for the DH explained.

The TB&CS of the DH endeavours in the monitoring of likely infectious cases in the community. The TB&CS has also prepared guidelines on handling TB cases in the school setting for reference by schools. The guidelines are available at the [guideline website](#) for more information.

"Early identification of TB cases and prompt initiation of anti-TB treatment remain the mainstay of TB control. The TB&CS of the DH also conducts contact screening for the closer contacts of the index case considered infectious. The DH will continue to promote awareness of TB and its prevention in schools, the community and the health care sector so as to facilitate early identification and diagnosis to allow effective control of the disease at its source," the spokesman added.

When a TB patient coughs or sneezes, small droplets containing the tubercle bacilli are generated and spread in the air. If another person breathes in these small airborne droplets, he or she may be infected with the germ. Prolonged exposure, however, is usually required for the disease to be

transmitted.

Despite a marked and consistent decrease in the notification rate in the past few decades, TB remains a relatively common disease in Hong Kong. In light of public concern regarding TB clusters in the school setting, data summaries will be released half-yearly starting this year.

---

## LCQ16: Reinstatement works for public rental housing flats

Following is a question by the Hon Chan Hak-kan and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 27):

Question :

At present, tenants of public rental housing (PRH) units are obliged to reinstate all the original fixtures and fittings and remove items added by them (reinstatement works) at their own expenses upon moving out of their units. However, if both the outgoing and incoming tenants of a unit wish to retain the fixtures and fittings added to the unit and if such fixtures and fittings meet the requirements, the Housing Department (HD) will normally allow such fixtures and fittings be retained. In this connection, will the Government inform this Council:

(1) of (i) the number of PRH units surrendered by tenants upon their moving out, (ii) among such units, the number of those for which reinstatement works had been carried out before they were surrendered, and (iii) the number of tenants who were allocated such reinstated units, in each of the past three years (set out by District Council district);

(2) whether it knows the time taken and the expenses incurred in general for carrying out reinstatement works;

(3) of the number of complaints received by HD in each of the past three years about the nuisances caused by reinstatement works;

(4) whether it has assessed the quantity of construction waste generated by reinstatement works in each of the past three years; and

(5) whether HD will review the current reinstatement requirements and improve the existing arrangements for granting exemption to reinstatement works (including establishing a matching service/platform for outgoing and incoming tenants), with a view to reducing (i) the need for carrying out reinstatement works and (ii) the construction waste so generated?

Reply:

President,

My consolidated reply to various parts of the question raised by the Hon Chan Hak-kan is as follows.

According to the prevailing arrangement of the Hong Kong Housing Authority (HA), HA will conduct comprehensive inspections on the fixtures and fittings inside public rental housing (PRH) units before their tenants move out, so as to assess and decide whether the items therein are retainable, or require repair or replacement. Under normal circumstances, HA would allow the fixtures and installations installed by outgoing tenants such as wall-mounted kitchen cabinet, water closet pan with flushing cistern, etc. to be retained without reinstatement if they are in good condition. The incoming tenants may choose to continue to use these installations. However, if they opt to accept the fixtures and fittings installed by the outgoing tenants, the responsibility of future repair and maintenance of these fixtures and fittings will rest with them. In addition, after the existing tenants move out of their PRH units, HA will, depending on the individual circumstances of the PRH unit, carry out vacant flat refurbishment works.

In the past three years (i.e. 2015-16, 2016-17 and 2017-18), HA recovered 12 400, 12 000 and 13 300 PRH units respectively. We do not have information on the time spent and costs required for the reinstatement works by the outgoing tenants before their removal as well as the number of units involved. We also do not maintain consolidated statistics on nuisance complaints caused by reinstatement works.

As regards the allocation of refurbished units, since application for PRH is only divided into four districts, namely the Urban (including Hong Kong Island and Kowloon); Extended Urban (including Tung Chung, Sha Tin, Ma On Shan, Tseung Kwan O, Tsuen Wan, Kwai Chung and Tsing Yi); New Territories (including Tuen Mun, Yuen Long, Tin Shui Wai, Sheung Shui, Fanling and Tai Po); and Islands (excluding Tung Chung), the allocation of PRH unit is therefore arranged according to these four districts. In the past three years (i.e. 2015-16 to 2017-18), figures on allocation of refurbished units breakdown by district are as follows. We do not have figures breakdown by District Council district.

Year/ District	2015-16	2016-17	2017-18
Urban	5 721	6 266	6 569
Extended Urban	3 357	3 506	3 925
New Territories	2 524	2 409	2 278
Islands	83	62	65
Total	11 685	12 243	12 837

Since solid waste generated by flat reinstatement works of PRH units would be handled together with other construction waste, we do not maintain information on solid waste generated by flat reinstatement works of PRH units. Nevertheless, HA would require the relevant contractors to put in place good practices in waste management in order to minimise the adverse impact on the environment.