

LCQ4: Promotion of green finance

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (November 7):

Question:

It is learnt that there were 16 cases of local green bond issuance in the first half of this year, raising funds of US\$6.8 billion in total, which was three times the amount for the whole of last year. Some analyses have pointed out that the green industries on the Mainland will have a capital demand of about RMB3 trillion to RMB4 trillion per year during the period covered by the country's 13th Five-Year Plan for the National Economic and Social Development, and the infrastructure projects in the countries along the Belt and Road will have a capital demand of US\$1.5 trillion per year between 2016 and 2030, as estimated by the Organization for Economic Co-operation and Development. Such situations have presented opportunities for Hong Kong to develop green finance. In this connection, will the Government inform this Council:

(1) as there are views that there is a need for the Government to set up a green financial system framework comprising clear green standards, specific development guidelines and comprehensive regulations, and at present some 20 countries and regions across the globe have rolled out a green finance development roadmap, whether the Government has considered developing (i) a green financial system framework, and (ii) a green finance development roadmap; if so, of the details; if not, the reasons for that;

(2) as some analyses have pointed out that private capital participation is crucial to the development of green finance, whether the Government has considered, by making reference to the approach of the United Kingdom (UK), financing the establishment of an independent green investment bank to mobilise private capital to invest in green projects; if so, of the details; if not, the reasons for that; and

(3) whether it has considered, by making reference to the experience of countries such as the UK and Germany, boosting the development of green finance through fiscal policies, such as introducing tax concessions, offering profit tax exemption to funds investing in green finance products, as well as granting interest subsidies to green lending products; if so, of the details; if not, the reason for that?

Reply:

President,

Our replies to the three parts of the question are as follow:

(1) and (3) Green finance is a new but rapidly expanding area of financial activities that seeks to bring a positive impact on the environment through

emphasis on social responsibility and sustainable development. Riding on the increasing global demand for green financial products, Hong Kong, as an international financial centre and the global Renminbi business hub, is well-equipped to develop green finance, in particular serving as a premier financing platform for international and Mainland green enterprises/projects in raising funds through issuing bonds and initial public offerings.

The Government is making progress on various fronts to develop and firmly establish Hong Kong as a leading hub for green finance in the region, with focus on the Mainland of China and economies along the Belt and Road. The Government would facilitate and provide the necessary infrastructure and catalyst for jump-starting market developments. We will at the same time build up our international profile on green finance with increased international visibility and proactive promotion targeting audience overseas.

On promoting local certification for green finance products, the Hong Kong Quality Assurance Agency (HKQAA) established a Green Finance Certification Scheme (GFCS) early this year to provide third-party conformity assessments for issuers on their green financial instruments by making reference to a number of international and national standards.

Representatives of the Financial Services and the Treasury Bureau and the Environment Bureau attended meetings of the HKQAA's Technical Committee as observers upon their deliberation on the technical details of GFCS. We will continue to support GFCS's implementation and encourage local, Mainland and overseas enterprises to make use of the Scheme and our capital markets for financing their green projects.

Many local, Mainland and international organisations, such as the Asian Development Bank, the World Bank and the European Investment Bank, have made use of Hong Kong to issue green bonds. This attests to the strengths of our competitive capital markets. To attract more green bond issuance and promote market development in Hong Kong, the Government has launched the Green Bond Grant Scheme to subsidise eligible green bond issuers in obtaining certification under the GFCS, as well as the Pilot Bond Grant Scheme to provide grant to eligible enterprises issuing bonds (including green bonds) in Hong Kong for the first time. We have also enhanced the Qualifying Debt Instrument Scheme to provide tax concession for bond investment in Hong Kong. We hope that the Legislative Council would authorise the Government to implement the Government Green Bond Programme as soon as possible by making the proposed resolution under the Loans Ordinance to facilitate the inaugural government green bond issuance, with a view to setting a good example for the green finance market in Hong Kong and attracting more local, Mainland and international investors and financiers to participate therein. Moreover, we are reviewing the tax arrangements applicable to funds and we plan to introduce a legislation by the end of the year, so that different types of both onshore and offshore funds operated in Hong Kong, subject to certain eligibility requirements, can enjoy profits tax exemption for transactions in qualifying assets including securities, futures and shares of private companies, etc. This tax arrangement would be applicable for funds investing in green finance products which can be classified as such qualifying assets.

We would strengthen efforts to publicise Hong Kong's competitive capital

markets, highlight our edge in developing green financial products and raise green finance awareness at regional and international forums including the Asian Financial Forum organised in Hong Kong. The Hong Kong Monetary Authority hosted the International Capital Markets Association's Green and Social Bond Principles Annual General Meeting and Conference and a seminar with the People's Bank of China on Mainland-Hong Kong green finance opportunities this June, which altogether attracted some 1 300 market participants.

Furthermore, the Hong Kong Exchanges and Clearing Limited (HKEX) became a Partner of the United Nations Sustainable Stock Exchange Initiative this June, committing to further promotion of sustainable and transparent capital markets. The Securities and Futures Commission published its Strategic Framework for Green Finance this September and looks forward to fostering cross-agency and public-private collaboration to develop green finance, on which it has started discussions with the HKEX, other financial authorities, key stakeholders along the investment chain and the wider financial community.

(2) Most of the large-scale green infrastructure projects in Hong Kong, such as sewage treatment, waste management and district cooling systems, etc., are carried out by the Government. Investors who are interested in financing green projects of the Government can participate in our Government Green Bond Programme. In addition, private organisations can make use of our capital markets to issue green financial instruments. Thus, the market effect of and actual demand for a green investment bank in Hong Kong are limited at the moment.

Moreover, the Government has various initiatives in place to support local environmental and recycling industries and attract private capital to invest in different green projects. For instance, the \$1 billion Recycling Fund was launched in October 2015 to provide funding support for the local recycling industry in general or in specific sectors in enhancing their operational standards and productivity. On promoting the development of renewable energy (RE), the Government and the two power companies have introduced Feed-in Tariff Scheme under the post-2018 Scheme of Control Agreements to provide economic incentives for individuals and non-government bodies to invest in RE.

LCQ18: Metal gates of Public Rental Housing units

Following is a question by Hon Alice Mak and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (November 17):

Question:

I have received complaints from a number of tenants of public rental housing (PRH) alleging that quite a number of PRH units have been broken into and burgled by thieves because the metal gates of such units had security vulnerabilities. However, the Housing Department has not actively arranged improvement works for the metal gates. In this connection, will the Government inform this Council:

(1) of the number of burglaries of PRH units in various PRH estates in the past three years;

(2) of (i) the number of complaints received by the authorities about metal gates of PRH units having security vulnerabilities, and (ii) the number of metal gates of PRH units for which improvement works were carried out by the authorities, in the past three years (with a breakdown by estates);

(3) of the types of metal gates installed for new PRH units by the authorities in the past three years and, among them, the respective types of metal gates (i) with complaints received about their having security vulnerabilities and (ii) the units to which they were fitted experienced a higher incidence of burglary;

(4) as the authorities announced in 2014 that old-type see-through collapsible gates of more than 170 000 PRH units would be replaced in the five years starting 2015-2016, of the progress of the work; whether the authorities have regularly reviewed the security level of the metal gates (including the new-type metal gates) of all PRH units in Hong Kong and carried out improvement works for the metal gates with security vulnerabilities; if so, of the time of the last review, as well as its outcome and the follow-up work; and

(5) whether the authorities will carry out improvement works for the metal gates with security vulnerabilities which have been provided for PRH units and for units which were sold under the Tenants Purchase Scheme, and bear the relevant repair and maintenance costs in future; if not, of the reasons for that?

Reply:

President,

My consolidated reply to various parts of the question raised by the Hon Alice Mak is as follows.

The Hong Kong Housing Authority (HA) has all along been attaching great importance to the security of Public Rental Housing (PRH) estates. The HA has put in place a number of security facilities, such as installing security gates with password locks at the entrances of ground floor lobbies and fire escape staircases of buildings, and providing 24-hour guard services, CCTV

and telecom systems inside the lifts and at the main entrance of the buildings which are monitored by the tower guards stationed at the ground floor lobbies.

The HA also places great emphasis on the training of guards. Guards are required to carry out visitors' registration at the entrances of ground floor lobbies at PRH buildings. Guard control rooms also arrange for guards and building supervisors to patrol the buildings and provide them with necessary support. Furthermore, the HA collects feedback from tenants and disseminates messages about anti-theft through the Estate Management Advisory Committees. When necessary, assistance from Police will be sought.

Tenants' co-operation is crucial for achieving good security. In this regard, the HA periodically reminds tenants to close their main doors when leaving their flats, not to disclose the passwords of the entrance gates of ground floor lobbies to outsiders other than their family members, etc. Under safe condition, tenants are advised to notify the estate management office (EMO) or the guards immediately whenever suspicious or unknown persons are found loitering in the building premises.

Upon receiving reports on burglary, staff of the EMO will provide appropriate assistance to the tenant. However, the HA has not maintained consolidated statistics on burglary cases concerning PRH units.

In light of the problem that the old-type see-through collapsible gates require frequent maintenance due to ageing, the HA has launched a programme to replace such gates in about 170 000 PRH units from 2015-16 onwards. This five-year programme is expected to be completed in 2019-20. Up to October 2018, the HA has replaced the metal gates of about 70 per cent of such PRH units (about 120 000 units) under the programme.

Other types of metal gates in PRH estates have been performing well in general. Hence, the HA has no plan to replace them. New PRH units completed in the past three years are installed with sliding metal gates.

Tenants of PRH estates (including HA tenants in Tenants Purchase Scheme (TPS) estates) may contact the EMO in case they have any problem relating to the maintenance of the metal gates of their units. The EMO will deploy staff for on-site checking and follow-up. The HA will take up the maintenance costs of the metal gates, arising from normal wear and tear. Flat owners are responsible for the maintenance cost of the metal gates of sold flats in TPS estates.

The HA has not maintained statistics on complaint cases about metal gates of PRH units.

LCQ5: Regulation of products containing cannabis

Following is a question by the Dr Hon Helena Wong and a written reply by the Secretary for Security, Mr John Lee, in the Legislative Council today (November 7):

Question:

Last month, the Canadian authorities relaxed control on recreational cannabis. Packaging labels bearing "THC" (i.e. the abbreviation of tetrahydro-cannabinol, the main constituent of cannabis) or "Cannabis" indicates that the food products or drinks to which they are affixed contain cannabis, and nationals of that country may purchase such food products or drinks from licensed suppliers. In addition, the World Health Organization has indicated that in recent years, some countries have relaxed the regulation of cannabidiol (CBD), a cannabis compound, and regarded products containing CBD as medical products. Regarding the regulation of cannabis under the laws of Hong Kong, will the Government inform this Council:

(1) whether the import of food products or drinks containing THC falls within the ambit of the Dangerous Drugs Ordinance (Cap. 134); if so, of the details; if not, whether it will amend the relevant legislation to impose regulation in this regard;

(2) whether the possession or purchase via the Internet of food products or drinks containing THC is against the law; if so, of the details; and

(3) whether the manufacture or import of medical products, food products or drinks containing CBD is against the law; if so, of the details?

Reply:

President,

In consultation with the Food and Health Bureau and the Department of Health, the reply to the question is as follows:

(1) and (2) Tetrahydro-cannabinol (THC) is a cannabinoid present in cannabis plants and is a dangerous drug controlled under the Dangerous Drugs Ordinance (Cap. 134). Any products (including any food products and drinks) that contain THC are also controlled under Cap. 134.

Under Cap. 134, trafficking in dangerous drugs, or illicitly importing to and exporting from Hong Kong, procuring, supplying, manufacturing, or dealing in or with dangerous drugs, constitutes a criminal offence. The maximum penalty is life imprisonment and a fine of \$5 million. Illicitly possessing, or smoking, inhaling, ingesting or injecting dangerous drugs is subject to a maximum penalty of imprisonment for seven years and a fine of \$1 million.

(3) Cannabidiol (CBD) is another cannabinoid present in cannabis plants but is not a dangerous drug controlled under Cap. 134. For pharmaceutical products containing CBD but not any dangerous drugs, the products must be registered with the Pharmacy and Poisons Board (the Board) in accordance with the requirements under the Pharmacy and Poisons Ordinance (Cap. 138) before it can be sold or distributed. Manufacturers, importers or distributors of the pharmaceutical products must also obtain relevant licences from the Board. In addition, for importing pharmaceutical products, an import licence must be obtained under the Import and Export Ordinance (Cap. 60). At present, no registered pharmaceutical product contains CBD.

Regarding food products or drinks containing CBD, since it is difficult to extract pure CBD, the food products and drinks concerned may highly likely contain other cannabinoids controlled under Cap. 134 (such as THC). The local food trade should avoid importing or manufacturing products concerned lest they would breach the law.

Ombudsman probes effectiveness of Joint Office for Investigation of Water Seepage Complaints in handling water seepage complaints

The following is issued on behalf of the Office of The Ombudsman:

The Ombudsman, Ms Connie Lau, today (November 7) announced a direct investigation to examine the effectiveness of the Joint Office for Investigation of Water Seepage Complaints (JO) in handling water seepage complaints, with a view to making recommendations for improvement.

High-rise buildings are ubiquitous in Hong Kong. Poorly maintained water pipes or waterproofing materials in the floor slabs of an upper floor unit would likely cause seepage to the unit below, giving rise to environmental hygiene nuisance. Upon receipt of a water seepage complaint, the JO, which is composed of staff from the Food and Environmental Hygiene Department and the Buildings Department, will conduct investigation and tests. Should an upper floor unit be confirmed as the source of water seepage, the JO will issue a Nuisance Notice requiring that necessary repairs be carried out by that unit.

Between January 2016 and September 2018 (i.e. 33 months in total), the Office of The Ombudsman had received 360 complaints against the JO for failing to properly handle water seepage problems. Many complainants alleged that despite the JO taking a long time to conduct various tests, the source of water seepage still remained unidentified. The JO relies mainly on colour water tests to locate the source of seepage. While the Office may at times

engage a consultant to use newer technologies (such as infrared or microwave detectors) in dealing with more complicated cases, that is not a general practice.

Ms Lau said, "Prolonged water seepage can cause great nuisance to the parties affected and would lead to environmental hygiene problems. We have initiated this direct investigation with a view to exploring with the JO better ways to effectively resolve water seepage complaints."

To make the investigation more comprehensive, The Ombudsman is now inviting the public to send in information and/or views in writing to the Office of The Ombudsman by December 8, 2018:

Address: 30/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

Fax: 2882 8149

Email: complaints@ombudsman.hk

Red flag hoisted at Silverstrand 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 (November 7) that due to big waves, red flag has been hoisted at Silverstrand Beach in Sai Kung District. Beach-goers are advised not to swim at the beach.