

Financial results for the six months ended September 30, 2018

The Government announced today (October 31) its financial results for the six months ended September 30, 2018.

Expenditure for the period April to September 2018 amounted to HK\$251.1 billion and revenue HK\$175.8 billion, resulting in a cumulative year-to-date deficit of HK\$75.3 billion.

A government spokesperson said that the cumulative year-to-date deficit for the period was mainly due to the fact that some major types of revenue, including salaries and profits taxes, are mostly received towards the end of a financial year.

The fiscal reserves stood at HK\$1,027.6 billion as at September 30, 2018.

Detailed figures are shown in Tables 1 and 2.

TABLE 1. CONSOLIDATED ACCOUNT (Note 1)

	Month ended September 30, 2018 HK\$ million	Six months ended September 30, 2018 HK\$ million
Revenue	31,006.8	175,750.5
Expenditure	(40,310.9)	(251,082.5)
Deficit	(9,304.1)	(75,332.0)
Financing		
Domestic		
Banking Sector (Note 2)	9,425.0	72,871.5
Non-Banking Sector	(120.9)	2,460.5
External	—	—
Total	9,304.1	75,332.0

Government Debts as at September 30, 2018 (Note 3)

HK\$1,500 million

Debts Guaranteed by Government as at September 30, 2018 (Note 4)

HK\$24,064.9 million

TABLE 2. FISCAL RESERVES

	Month ended September 30, 2018 HK\$ million	Six months ended September 30, 2018 HK\$ million
Fiscal Reserves at start of period	1,036,905.8	1,102,933.7
Consolidated Deficit	(9,304.1)	(75,332.0)
Fiscal Reserves at end of period (Note 5)	1,027,601.7	1,027,601.7

Notes:

1. This Account consolidates the General Revenue Account and the following eight Funds: Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund. It excludes the Bond Fund, the balance of which is not part of the fiscal reserves. The Bond Fund balance as at September 30, 2018 was HK\$134,936 million.

2. Includes transactions with the Exchange Fund and resident banks.

3. These were the outstanding institutional notes as at September 30, 2018, which were denominated in Hong Kong dollars with maturity in July 2019. They do not include the outstanding bonds with nominal value of HK\$96,406 million and alternative bonds with nominal value of US\$3,000 million (equivalent to HK\$23,487 million as at September 30, 2018) issued under the Government Bond Programme (with proceeds credited to the Bond Fund). Of these bonds under the Government Bond Programme (including Silver Bonds with nominal value of HK\$5,806 million, which may be redeemed before maturity upon request from bond holders), bonds with nominal value of HK\$26,083 million and alternative bonds with nominal value of US\$1,000 million (equivalent to HK\$7,829 million as at September 30, 2018) will mature within the period from October 2018 to September 2019 and the rest within the period from October 2019 to March 2032.

4. Includes guarantees provided under the SME Loan Guarantee Scheme launched in 2001, the Special Loan Guarantee Scheme launched in 2008, the Special Concessionary Measures under the SME Financing Guarantee Scheme launched in 2012, and a commercial loan of the Hong Kong Science and Technology Parks Corporation.

5. Includes HK\$219,730 million being the balance of the Land Fund held in the name of "Future Fund" as from January 1, 2016, for long-term investments

initially up to December 31, 2025. As from July 1, 2016, the Future Fund also includes HK\$4,800 million, being one-third of the actual surplus in 2015-16 as top-up.

Exchange Fund Abridged Balance Sheet and Currency Board Account

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) announced today (October 31) that the total assets of the Exchange Fund amounted to HK\$4,032.6 billion as at September 30, 2018, HK\$38.9 billion higher than that at the end of August 2018. Foreign currency assets increased by HK\$19.5 billion and Hong Kong dollar assets increased by HK\$19.4 billion.

The rise in foreign currency assets was mainly due to an increase in unsettled purchases of securities and the issuance of Certificates of Indebtedness. The rise in Hong Kong dollar assets was mainly due to the overnight liquidity provided under the Discount Window at the month end following the established mechanism to facilitate interbank settlement.

The Currency Board Account shows that the Monetary Base at the end of September 2018 was HK\$1,619.6 billion, increased by HK\$8.5 billion, or 0.5%, from the end of August 2018. The rise was mainly due to the increase in the outstanding amount of Certificates of Indebtedness.

The amount of Backing Assets increased by HK\$3.7 billion, or 0.2%, to HK\$1,769.5 billion. The increase was mainly attributable to the issuance of Certificates of Indebtedness, which was partly offset by the decline in the market value of investments. The backing ratio decreased from 109.59% at the end of August 2018 to 109.25% at the end of September 2018.

At present, four press releases relating to the Exchange Fund's data are issued by the HKMA each month. Three of these releases are issued to disseminate monetary data in accordance with the International Monetary Fund's Special Data Dissemination Standard (SDDS). The fourth press release, on the Exchange Fund's Abridged Balance Sheet and Currency Board Account, is made in accordance with the HKMA's policy of maintaining a high level of transparency. For the month of October 2018, the scheduled dates for issuing the press releases are as follows:

October 5 (Issued)	SDDS International Reserves (Hong Kong's Latest Foreign Currency Reserve Assets Figures)
October 12 (Issued)	SDDS Analytical Accounts of the Central Bank (Analytical Accounts of the Exchange Fund)
October 31	SDDS Template on International Reserves and Foreign Currency Liquidity
October 31	Exchange Fund Abridged Balance Sheet and Currency Board Account

[International Reserves and Foreign Currency Liquidity](#)

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) released today (Wednesday) the analytical data on the Hong Kong Special Administrative Region's foreign currency reserves and foreign currency liquidity as at the end of September 2018 (Annex). These data are published monthly in the Template on International Reserves and Foreign Currency Liquidity in accordance with the International Monetary Fund's Special Data Dissemination Standard.

The release calendar of the Template on International Reserves and Foreign Currency Liquidity for 2019 is announced below:

Reference Month	Release Date
January 2019	February 28, 2019
February 2019	March 29, 2019
March 2019	April 30, 2019
April 2019	May 31, 2019
May 2019	June 28, 2019
June 2019	July 31, 2019
July 2019	August 3, 2019
August 2019	September 30, 2019
September 2019	October 31, 2019
October 2019	November 29, 2019
November 2019	December 31, 2019
December 2019	January 31, 2020

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October 31	Exchange Fund Abridged Balance Sheet and Currency Board Account

[LCQ6: Fraud and Money Laundering Intelligence Taskforce and combating trafficking in persons](#)

Following is a question by the Hon Kenneth Leung and a reply by the Secretary for Security, Mr John Lee, in the Legislative Council today (October 31):

Question:

The Fraud and Money Laundering Intelligence Taskforce (the Taskforce), led by the Police with members comprising representatives from the Hong Kong Monetary Authority (HKMA), the Hong Kong Association of Banks and a number of banks, was established in May last year for a period of 12 months. It has been reported that the Taskforce prepared an alert called Combating Human Trafficking in Hong Kong and the Asia-Pacific Region, but the Police have not published the alert for fear that it may lead to Hong Kong being labelled as a hub for human trafficking. In this connection, will the Government inform

this Council:

(1) when the Police will publish the aforesaid alert; of the number and subjects of the assessment reports and alerts which have been issued to the financial sector, and other tasks undertaken, by the Taskforce to enhance the ability of financial institutions in identifying and reporting suspicious transactions involving human trafficking;

(2) of the respective numbers of reports on suspicious transactions related to human trafficking which were received by the Police and HKMA in each of the past five years, and the total amount of money involved; among such cases, the number of those in respect of which law enforcement actions have been taken by the Police, and the respective numbers of persons arrested, prosecuted and convicted; and

(3) whether it has reviewed the effectiveness of the Taskforce; if so, of the details; whether the Taskforce will become a standing mechanism; if so, of the relevant staffing establishment and the way forward in the work of the Taskforce?

Reply:

President,

With regard to the three questions from the Hon Kenneth Leung, my consolidated reply is as follows.

As an international financial centre, Hong Kong attaches great importance to safeguarding the integrity of its financial systems. To this end, Hong Kong has been implementing anti-money laundering and counter-financing of terrorism measures in accordance with international standards to gather intelligence and detect relevant crimes, and to deter inward and outward flows of illicit funds. In particular, laundering proceeds of crime is a criminal offence. In accordance with section 25 of the Organized and Serious Crimes Ordinance (OSCO), it is an offence for a person to deal with property known or reasonably believed by the person to represent proceeds of an indictable offence. The maximum penalty is imprisonment for 14 years and a fine of \$5 million. The proceeds concerned can also be confiscated.

Drawing on overseas experience, the Commercial Crime Bureau (CCB) of the Hong Kong Police Force (HKPF), in collaboration with the Hong Kong Monetary Authority (HKMA), the Hong Kong Association of Banks (HKAB) and a number of banks, set up in May last year the "Fraud and Money Laundering Intelligence Taskforce" (FMLIT). FMLIT is a pilot project with the objective of establishing public-private partnership to enhance the detection, prevention and disruption of serious financial crimes and money laundering activities through effective sharing of information and intelligence.

The work of FMLIT consists of three aspects, each with particular importance:

(1) Strategy: the senior management of CCB, Narcotics Bureau, HKMA, HKAB and 10 retail banks form the "Strategic Group" to provide strategic directions

and set work priorities for FMLIT;

(2) Operations: the investigation units of HKPF and relevant banks form the "Operations Group". In accordance with the strategic risks identified by the Strategic Group and through regular meetings, the Operations Group undertakes tactical intelligence-led operations in a case-based manner and share intelligence; and

(3) Alert: to provide alerts to all banks operating in Hong Kong, to circulate assessments, trend reports and non-sensitive intelligence reports so as to combat crimes and enhance banks' ability to grasp and monitor money laundering activities.

Since its establishment, FMLIT has issued through HKAB a total of six alerts which, drafted by the experts of the bank representatives, included fraud, trade-based money laundering, and illegal bookmaking. As regards the alert entitled "Combating Human Trafficking in Hong Kong and the Asia-Pacific Region" mentioned in the question, it was not prepared by FMLIT as suggested in the question, but was provided to the secretariat of FMLIT by a non-government organisation. After circulation and discussion, FMLIT had reservations about the expression of certain contents, and certain information therein also could not be verified. As only alerts drafted by the expert bankers within FMLIT were issued in the past, FMLIT thus decided that the alert would not be published. The decision had nothing to do with whether it was beneficial to the reputation of Hong Kong, but was simply because FMLIT has all along been pragmatic in being accountable for the contents of documents it publishes. FMLIT will continue to closely monitor the trends and modus operandi of money laundering, and issue alerts in different areas at appropriate times.

The establishment of FMLIT fosters the exchange of intelligence, expedites investigation by law enforcement agencies and enhances the overall capability in detecting money laundering and financial crimes, thereby preserving the reputation of Hong Kong as one of the world's leading financial centres. As at end October 2018, FMLIT has handled 49 fraud and money laundering related cases with the arrest of 100 persons by the Police and interception of crime proceeds amounting to about \$22 million.

Currently, FMLIT is headed by the Chief Superintendent of CCB, and three officers have been internally redeployed from the Police to provide support. A comprehensive review of the FMLIT pilot project based on operational experience will be conducted in November, during which the Police will consider establishing FMLIT as a regular mechanism.

The question also mentions the situation of trafficking in person (TIP). President, although TIP is not prevalent in Hong Kong, the Hong Kong Special Administrative Region (HKSAR) Government attaches great importance to combating TIP, and addresses this evolving issue through a multi-pronged approach.

In order to provide high-level policy steer on the overall strategy and measures to tackle TIP and enhance protection of foreign domestic helpers

(FDHs), the HKSAR Government established in March this year a high-level inter-bureau/inter-departmental Steering Committee, chaired by the Chief Secretary for Administration, with the Secretary for Security and the Secretary for Labour and Welfare as Vice Chairmen. Membership of the Steering Committee includes heads of HKPF, Immigration Department (ImmD), Customs and Excise Department (C&ED), Labour Department and Social Welfare Department, as well as representative of the Department of Justice. At the same time, the Government promulgated the "Action Plan to Tackle TIP and to Enhance Protection of FDHs in Hong Kong", which outlined a package of multi-faceted measures that are comprehensive, strategic and targeted. There are more than 30 initiatives covering multiple areas, including victim identification, investigation, enforcement, prosecution, victim protection and support, prevention, and partnership with different stakeholders, etc.

One of the key tasks in combating TIP is to continuously strengthen and improve the mechanism for identifying victims. ImmD first introduced a TIP victim screening mechanism in 2015. The mechanism was gradually expanded to some police districts of HKPF and C&ED in 2016 and 2017. In July this year, HKPF extended the victim screening mechanism to cover all 24 police districts, and C&ED also implemented the screening mechanism departmental-wide. The number of potential victims screened under the mechanism increased by 87 per cent from 2 515 in 2016 to 4 710 in 2017. Only nine persons, i.e. less than 0.2 per cent of all persons screened, were identified as victims in 2017. The result indicated the fact that TIP was not prevalent in Hong Kong.

The Honourable Member's question also refers to suspicious transaction reports (STRs) relating to TIP.

Under section 25A of OSCO, any person who knows or suspects that any property represents proceeds of an indictable offence must make a STR to the Joint Financial Intelligence Unit (JFIU), jointly established by HKPF and C&ED, as soon as practicable. In the past five years, the number of STRs received by JFIU were 32 907 in 2013, 37 188 in 2014, 42 555 in 2015, 76 590 in 2016, and 92 115 in 2017, with a year-on-year increasing trend. JFIU does not keep statistics on the breakdown of STRs relating to TIP. JFIU will conduct intelligence analysis for every STR received, and in accordance with its risk assessment mechanism, assess such factors as the level of suspicion, perceived risk and severity of the intelligence, with a view to referring cases that merit further investigation to the relevant law enforcement agency for follow-up or criminal investigation.

Thank you, President.

[Speech by CE at Hong Kong Institute of](#)

Architects Tokyo Exhibition “More than High-rise: Exploring Hong Kong through Architecture” in Tokyo (English only)

Following is the speech by the Chief Executive, Mrs Carrie Lam, at the Hong Kong Institute of Architects (HKIA) Tokyo Exhibition "More than High-rise: Exploring Hong Kong through Architecture" in Tokyo today (October 31):

Marvin (President of the HKIA, Mr Marvin Chen), Vincent (Project Leader of the Exhibition and Immediate Past President of the HKIA, Mr Vincent Ng), Ambassador Matsuda (Ambassador and Consul General of Japan in Hong Kong, Mr Kuninori Matsuda), Mr Rokushika (President of the Japan Institute of Architects, Mr Masaharu Rokushika), distinguished guests, ladies and gentlemen,

Good afternoon. I'm pleased to be here today for the opening ceremony of the "More than High-rise: Exploring Hong Kong through Architecture" exhibition organised by the Hong Kong Institute of Architects.

As the former Secretary for Development responsible for city planning and buildings, and an honorary member of the Hong Kong Institute of Architects, let me say how happy I am to attend an architecture event during my first official visit to Japan as the Chief Executive.

Incidentally, my last two official trips to Japan were both made during my tenure as Secretary for Development, coming to learn about Japan's urban regeneration and heritage conservation.

Hong Kong has been celebrated for its skyscrapers. However, as this exhibition smartly illustrates, Hong Kong is much more than a vertical city, and certainly not a concrete jungle.

The modern Hong Kong is complemented by reminiscence built heritage such as Wan Chai's reborn tenement building cluster known as the Blue House.

I know this project very well as I was involved in it from the very beginning over 10 years ago. The project not only preserves the unique architecture, but also immortalises the values of neighbourhood, self-help and mutual support that had built post-war Hong Kong. The project has won the Award of Excellence in the 2017 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation.

The exhibits also feature another of my pet projects, PMQ, which is the former Police Married Quarters revitalised to become a dynamic arts, design and cultural centre. It has already received over 13 million visitors since its opening in 2014.

While Hong Kong takes pride in preserving historic buildings, we are also proud of our contemporary iconic buildings which have certainly enriched Hong Kong's skyline and cityscape. These include the Hong Kong International Airport, the Kai Tak Cruise Terminal, the Xiqu Centre and M+ in the West Kowloon Cultural District, and the Passenger Clearance Building at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port, etc.

I am pleased to let you know that the 28 architects behind the exhibition's disparate offerings are all under 45. I'm confident that our city will continue to offer a vibrant and attractive urban environment for young professionals, both local and overseas, to display their architectural talents.

Abundant opportunities are awaiting us in the fast-emerging Guangdong-Hong Kong-Macao Greater Bay Area, including in our creative industries, from film and design to architecture. These and many other possibilities are open not only to Hong Kong companies, but also to the Japanese companies that partner with Hong Kong. We certainly welcome you to come and work with us.

Ladies and gentlemen, I hope that this exhibition, and the related architectural forums taking place here in the coming week, will bring talented young Hong Kong and Japanese architects together.

My thanks to the Hong Kong Institute of Architects for organising this exhibition. My thanks, as well, to the Japan Institute of Architects for its support.

I'm confident that the exhibition will be a great success, and I invite you all to enjoy Hong Kong Week in Japan. Thank you very much.