

Terms of reference of CoI into Diaphragm Wall and Platform Slab Construction Works at Hung Hom Station Extension under Shatin to Central Link Project expanded

The following is issued on behalf of the Commission of Inquiry (CoI) into the Diaphragm Wall and Platform Slab Construction Works at the Hung Hom Station Extension under the Shatin to Central Link Project:

The terms of reference of the CoI have been expanded to also ascertain the relevant facts and recommend appropriate improvement measures relating to the irregularities that have recently surfaced in the construction of the North Approach Tunnels, the South Approach Tunnels and the Hung Hom Stabling Sidings under the MTR Corporation Limited's Contract No. 1112, following the Chief Executive in Council's decision today (February 19).

The CoI has been retitled "Commission of Inquiry into the Construction Works at and near the Hung Hom Station Extension under the Shatin to Central Link Project" with immediate effect to reflect the expanded ambit.

The CoI will endeavour to accomplish its tasks within the time frame given by the Chief Executive in Council.

Composite Interest Rate: End of January 2019

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

The Hong Kong Monetary Authority (HKMA) announced today (February 19) the composite interest rate at the end of January 2019.*

The composite interest rate, which is a measure of the average cost of funds of banks, decreased by 6 basis points to 0.83 per cent at the end of January 2019, from 0.89 per cent at the end of December 2018 (see Chart 1 in the Annex). The decrease in composite interest rate reflected declines in the weighted funding cost for both deposits and interbank funds during the month (see Chart 2 in the Annex).

The historical data of the composite interest rate from the end of the fourth quarter of 2003 to the end of January 2019 are available in the Monthly Statistical Bulletin on the HKMA website (www.hkma.gov.hk). The next data release is scheduled for March 19, 2019 and will provide the composite interest rate at the end of February 2019.

* The composite interest rate is a weighted average interest rate of all Hong Kong dollar interest bearing liabilities, which include deposits from customers, amounts due to banks, negotiable certificates of deposit and other debt instruments, and Hong Kong dollar non-interest bearing demand deposits on the books of banks. Data from retail banks, which account for about 90 per cent of the total customers' deposits in the banking sector, are used in the calculation. It should be noted that the composite interest rate represents only average interest expenses. There are various other costs involved in the making of a loan, such as operating costs (e.g. staff and rental expenses), credit cost and hedging cost, which are not covered by the composite interest rate.

[Air services arrangements between Hong Kong and Mainland expanded \(with photos\)](#)

The Transport and Housing Bureau and the Civil Aviation Administration of China (CAAC) signed a Memorandum of Understanding (MoU) in Beijing today (February 19) to expand the Air Services Arrangement between the Mainland and the Hong Kong Special Administrative Region (HKSAR).

The MoU was signed by the Deputy Secretary for Transport and Housing, Mr Wallace Lau, and the Deputy Director General of the Department of Transport of the CAAC, Mr Yu Biao. The signing was witnessed by the Secretary for Transport and Housing, Mr Frank Chan Fan, and the Deputy Administrator of the CAAC, Mr Wang Zhiqing.

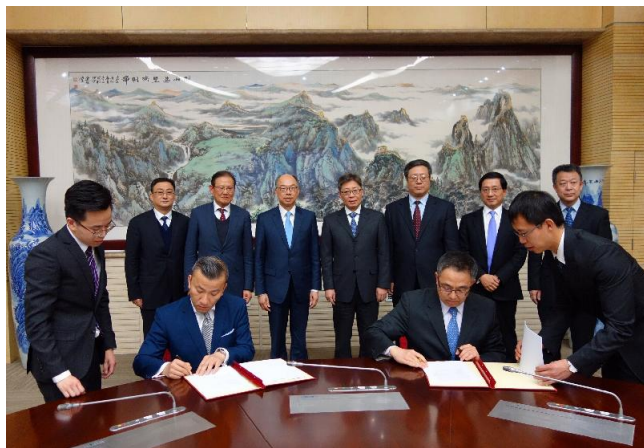
The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area promulgated by the Central People's Government pointed out the need for further expansion of the domestic and international air services network of the Guangdong-Hong Kong-Macao Greater Bay Area, as well as the need for active expansion of intermodal code sharing service. In view of the commissioning of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge last year, both sides agreed to expand the air-to-land intermodal arrangements between the Mainland and Hong Kong, which allow designated airlines of both sides to enter into code-sharing arrangements with operators of all types of land transport (including railway services, passenger vehicles and coaches) of all cities in

the Mainland. The air-to-sea intermodal code-sharing arrangements were also opened up to sea transport between Hong Kong and the Pearl River Delta region.

Under the intermodal arrangements, operators of land and sea transport may share the codes of flights operated by designated airlines of both sides as an extension of flights, enabling both services (air-to-sea or air-to-land) to be available in the Global Distribution System. The new code-sharing arrangements are expected to bring much convenience to travellers taking different means of land and sea transport between the Mainland and Hong Kong International Airport. For instance, travellers may take the Express Rail Link using the same air ticket to travel to Guangzhou or Shenzhen and connect to railway services to different cities on the Mainland, which will assist in travel planning. Travellers may also use the same air ticket to reach the fast-developing cities in the Western Pearl River Delta (Western PRD), boosting the economic development in the Western PRD and the Bay Area. This essentially echoes with consolidating and enhancing Hong Kong's status as an international aviation hub as set out in the Outline Development Plan.

Regarding the initiatives in the Outline Development Plan concerning deepening management reform in low-altitude airspace, expediting the development of general aviation and steadily developing cross-boundary helicopter services, both sides also agreed to expand the scope of cross-boundary helicopter services to cover points in Guangdong Province to provide travellers with a high-end and convenient means of air transport. Air connectivity in the Bay Area will be enhanced, giving impetus to the diversified commercial and business activities in the Bay Area. The frequency of air services between Hong Kong and Shanghai Hongqiao International Airport will also be increased.

Mr Chan said that the MoU signed between the Mainland and the HKSAR is conducive to the implementation of the Outline Development Plan, in particular in consolidating and enhancing Hong Kong's status as an international aviation hub and strengthening its role as an aviation management training centre. The new MoU not only expands the air services and the intermodal arrangements between the Mainland and Hong Kong, but is also in line with the objective of the Outline Development Plan in terms of creating a world-class airport cluster by differential development and positive interaction amongst airports in the Bay Area. The arrangement has forged excellent conditions for better aviation infrastructure connectivity in the Bay Area.



Survey on Small and Medium-Sized Enterprises' Credit Conditions for Fourth Quarter 2018

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

The Hong Kong Monetary Authority (HKMA) published today (February 19) the results of Survey on Small and Medium-Sized Enterprises (SMEs)' Credit Conditions for the fourth quarter of 2018.

Regarding SMEs' perception of banks' credit approval stance relative to 6 months ago, 78 per cent of respondents perceived similar or easier credit approval stance in the fourth quarter of 2018, compared with 77 per cent recorded in the previous quarter (Chart 1 in the Annex). 22 per cent of respondents perceived more difficult credit approval stance relative to 6 months ago in the fourth quarter of 2018, as compared to 23 per cent in the previous quarter.

Of those respondents with existing credit lines, 84 per cent reported that banks' stance on existing credit lines was easier or unchanged in the fourth quarter of 2018, down from 98 per cent recorded in the previous quarter (Chart 2 in the Annex). 16 per cent of respondents reported tightened banks' stance in the fourth quarter of 2018, up from 2 per cent in the previous quarter.

The Survey also gauged the results of new credit applications from SMEs. 3.8 per cent of respondents reported that they had applied for new bank credit during the fourth quarter of 2018. For respondents who already know their application outcomes, 94 per cent reported fully or partially successful applications, unchanged from the previous quarter; the proportion of respondents that reported fully successful applications dropped to 57 per cent from 83 per cent in the previous quarter (Chart 3 in the Annex). The

proportion of respondents that reported unsuccessful application remained unchanged at 6 per cent. It should be noted that owing to a small sample size (i.e. 3.8 per cent of surveyed SMEs), the results on new credit applications from SMEs could be prone to large fluctuations. Care should be taken when interpreting the survey results.

About Survey on Small and Medium-Sized Enterprises (SMEs)' Credit Conditions

In light of the importance of SMEs to the Hong Kong economy and concerns about potential funding difficulties facing SMEs over the past few years, the HKMA has appointed the Hong Kong Productivity Council (HKPC) to carry out this Survey, starting from the third quarter of 2016. This Survey is conducted on a quarterly basis, covering about 2,500 SMEs from different economic sectors each time. The results of this Survey can help monitor the development of SMEs' access to bank credit from a demand-side perspective.

The results of this Survey should be interpreted with caution. Similar to other opinion surveys, views collected in this Survey may be affected by changes in sentiment due to idiosyncratic events that occurred over the Survey period, which can make the results prone to fluctuations. Readers are advised to interpret the results together with other economic and financial information. In addition, views collected are limited to the expected direction of inter-quarter changes (e.g. "tighter", "similar" or "easier") without providing information about the magnitude of these changes.

Detailed tables and technical information of this Survey are published on the website of the HKPC (smecc.hkpc.org).

COI into the Construction Works at and near the Hung Hom Station Extension under the Shatin to Central Link Project: expansion of terms of reference and further extension of time

The Chief Executive in Council approved today (February 19) the expansion of the terms of reference of the Commission of Inquiry appointed on July 10, 2018, into the diaphragm wall and platform slab construction works at the Hung Hom Station Extension under the Shatin to Central Link (SCL) Project.

It has recently come to light that in respect of the North Approach Tunnels (NAT), the South Approach Tunnels (SAT) and the Hung Hom Stabling Sidings (HHS) under Contract No. 1112 of the MTR Corporation Limited (MTRCL) under the SCL Project, some of the required works-related documentation has been found missing and some of the construction works involving deviations from the designs, plans or drawings accepted by the Highways Department or the Building Authority might have been carried out.

"The irregularities that have recently surfaced in the vicinity of the Hung Hom Station Extension under the SCL Project have given rise to wide public concern. The Government takes them very seriously. The Commission of Inquiry appointed last July under the chairmanship of Mr Michael Hartmann is best placed to ascertain the relevant facts and to recommend appropriate improvement measures," the Chief Executive, Mrs Carrie Lam, said.

The expanded terms of reference of the Commission of Inquiry, as approved by the Chief Executive in Council, are set out in Annex A.

The three works locations involved in the latest incident (viz the NAT, the SAT and the HHS) are covered by the same works contract (i.e. the MTRCL's Contract No. 1112 under the SCL Project) as the diaphragm wall and platform slab construction works at the Hung Hom Station Extension which are the subject of the Commission of Inquiry's ongoing inquiry. The irregularities that have surfaced to date point to the need to look into the same systemic issues that the Commission has been concerned with under part (b) of its original terms of reference (see Annex B).

Mr Michael Hartmann, Chairman and Commissioner of the Commission of Inquiry, and Professor Peter Hansford, Commissioner of the Commission, are both well qualified to take on the additional task as they are already very familiar with matters concerning the implementation of the works contract in question as well as the overarching concession approach for the implementation of the SCL Project.

In view of the expanded scope of the inquiry, the Chief Executive in Council has approved a further extension of time for the Commission of Inquiry to submit its report to the Chief Executive by August 30, 2019, or such time as the Chief Executive in Council may allow. The Commission may submit interim reports on any aspects of the inquiry as it may see fit under the terms of its appointment.

"We look to the Commission of Inquiry to conduct a thorough inquiry in order to allay public concern. The Government attaches importance to ascertaining the facts and seeking substantive improvements. Public safety is our top priority," Mrs Lam said.

The Commission of Inquiry, when appointed on July 10, 2018, was required to report its findings and recommendations to the Chief Executive within six months from the date of appointment, i.e. by January 9, 2019, or such time as the Chief Executive in Council may allow. In view of the extensive scope of the inquiry, the complexity of the matters under

examination and the large number of witnesses involved, at the request of the Commission, the Chief Executive in Council approved on December 4, 2018, an extension of time for the Commission to submit its report to the Chief Executive by February 26, 2019.