

Resolution to implement Government Green Bond Programme to be introduced

The Chief Executive in Council has approved that a resolution be introduced into the Legislative Council (LegCo) to authorise the Government to borrow sums not exceeding HK\$100 billion or equivalent to implement the Government Green Bond Programme.

The Secretary for Financial Services and the Treasury, Mr James Lau, said today (June 6), "The Programme will help promote the development of green finance in Hong Kong by encouraging issuers to arrange financing for their green projects through our capital markets. It should also raise investor awareness and the local green investor base will grow as a result of our efforts.

"Global investments in environmental projects grew rapidly in recent years. I have every confidence that the financial services industry will seize the opportunities in green financing, and thus help consolidate Hong Kong's status as an international financial centre and develop Hong Kong into a regional green finance hub."

Sums raised under the Programme will be credited to the Capital Works Reserve Fund of the Government for funding public works projects with environmental benefits to demonstrate the Government's support for sustainable development and its determination to combat climate change and promote the development of green finance.

The Programme will align with guidelines/standards widely accepted by global investors for green bond issuance. To follow the best market practice and set a good example for other potential green issuers, the Government is inclined to engage independent reviewers to verify and/or certify the alignment of the frameworks of individual issuances under the Programme with these green bond issuance standards.

The borrowing ceiling of the Programme is proposed to be set at HK\$100 billion in order to promote the sustainable development of green finance in Hong Kong. The borrowing ceiling refers to the maximum amount of outstanding principal at any time under the Programme, i.e. the principal amount of bonds issued minus that of bonds matured.

Mr Lau added, "Subject to the LegCo's approval for the resolution, we will implement the Programme as soon as possible to facilitate the inaugural government green bond issuance within this financial year."

The Hong Kong Monetary Authority will assist in implementing green bond issuance under the Programme.

To promote the development of green finance in Hong Kong, the Chief

Executive announced in her 2017 Policy Address that the Government would take the lead in arranging the issuance of a green bond in the 2018-19 financial year. The Financial Secretary further announced in the 2018-19 Budget that the Government will launch the Programme with a borrowing ceiling of HK\$100 billion to facilitate the issuance of an inaugural government green bond.

Subject to deliberation within LegCo over the legislative process, the Government will move the resolution in the LegCo on June 27, 2018.

Gazettal of Inland Revenue (Amendment) (No. 5) Bill 2018 on three tax concession measures

The Inland Revenue (Amendment) (No. 5) Bill 2018 (Amendment Bill) will be gazetted on June 8. It seeks to implement three tax concession measures as proposed in the 2018-19 Budget:

- (a) to allow husband and wife the option of electing for personal assessment (PA) separately;
- (b) to allow enterprises to claim tax deduction for capital expenditure incurred for procuring environmental protection installations in full in one year instead of over five years; and
- (c) to extend the scope of tax exemption for debt instruments under the Qualifying Debt Instrument (QDI) Scheme.

"PA is a tax relief measure which may reduce the tax liabilities of individuals. At present, where a married person and his or her spouse have income assessable under the Inland Revenue Ordinance (IRO) and both are eligible to elect for PA, that person can make an election only when his or her spouse also does so. In order to provide married taxpayers with greater flexibility in tax assessment, the Government proposes to relax the requirement by allowing married persons the option to elect PA separately," a Government spokesman said.

Separately, for enterprises which incur capital expenditure in procuring eligible energy efficient building and renewable energy installations, the Government proposes to allow them to claim tax deduction in full in one year instead of over five years to encourage the procurement of such installations. Promoting the use of environmental protection installations will help Hong Kong achieve the carbon intensity reduction target as set out in "Hong Kong's Climate Action Plan 2030+".

Moreover, to promote further development of the bond market, the Amendment Bill also includes proposed amendments to the IRO to enhance the QDI Scheme by (a) extending the 100 per cent profits tax exemption for debt instruments with an original maturity of not less than seven years to debt instruments of any duration; and (b) allowing debt instruments listed on the Stock Exchange of Hong Kong Limited to be qualified for tax exemption, in addition to instruments lodged with and cleared by the Central Moneymarkets Unit of the Hong Kong Monetary Authority.

The Amendment Bill will be introduced into the Legislative Council on June 13. Subject to the approval by the Legislative Council, the three tax measures will be implemented starting from the year of assessment 2018/19.

LCQ5: Building maintenance of TPS estates

Following is a question by the Hon Wilson Or and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 6):

Question:

Chuk Yuen North Estate is one of the housing estates under the Tenants Purchase Scheme (TPS). Some owners of the estate have relayed to me that earlier on, many cracks appeared on the external walls of the buildings in the estate. A structural engineer found after inspection that the design of eight buildings in terms of the thickness of the concrete slabs of canopies, the number and spacing of steel bars, etc. were different from the working drawings for construction approved by the Housing Department (HD), and there were extensive spalling of mosaic tiles from the external walls of the buildings due to the use of improper materials. The Owners' Corporation of the estate wrote repeatedly to HD, requesting it to take follow-up actions on the problem, but was refused. Regarding the building maintenance of TPS estates, will the Government inform this Council:

- (1) of the number and contents of complaints and requests for assistance received by the authorities in the past five years concerning the structural safety of the buildings in TPS estates, with a breakdown by name of estate;
- (2) whether the Hong Kong Housing Authority (HA) carried out major or estate-wide maintenance works for TPS estates in the past five years; if so, of the items of the works carried out, the number of households benefited and the criteria based on which HA decided to carry out such works; and
- (3) of the current percentage of HA's ownership shares in the aggregate

ownership shares of each TPS estate; the role currently played by HA, being one of the owners of TPS estates, in the maintenance of those estates; whether HA will take on more responsibility for maintenance and step up its monitoring on the structural safety of the buildings in those estates; if so, of the details; if not, the reasons for that?

Reply:

President,

My consolidated reply to the various parts of Hon Wilson Or's question is as follows.

The Hong Kong Housing Authority (HA) launched the Tenants Purchase Scheme (TPS) in 1998 to enable public rental housing (PRH) tenants to buy the flats they lived in at a discounted price, thereby helping to achieve the then policy objective of attaining a home ownership rate of 70 per cent in Hong Kong in ten years' time. The Government subsequently re-positioned the housing policies in 2002. In keeping with the overall strategy of withdrawing from direct provision of subsidised sale flats, HA decided to cease the scheme after launching Phase 6B of TPS in August 2005. However, sitting tenants of the 39 TPS estates can opt to buy the flats they are living in.

HA has carried out comprehensive investigation and completed all necessary maintenance and repair works prior to the sale of individual TPS estates. HA also provides a seven-year Structural Safety Guarantee for TPS estates. During the guarantee period, HA is responsible for all structural repair and maintenance works relating to structural components such as columns, beams, walls and floor slabs, including repair works for spalling and cracking, in order to ensure the overall structural safety of the buildings. Besides, HA has also made a one-off injection equivalent to \$14,000 per residential unit to the Maintenance Fund for each TPS estate to meet the expenses of post-sale repairment works. Also, if a tenant reports that any installation in his/her flat is defective before purchasing the flat, HA will carry out the final one-off repair for that flat so that flats in TPS estates are sold in good condition.

As at May 1, 2018, the percentage of ownership shares of TPS estates held by HA against the total amount of ownership shares was about 26 per cent (see Annex I for details of individual estates). Regardless of the percentage of ownership shares held by HA, there is no difference between TPS estates and other private properties in terms of property management. As with private housing estates, TPS estates are subject to regulation under the Building Management Ordinance (BMO), relevant land leases and Deeds of Mutual Covenant (DMCs). Day-to-day estate management matters are discussed and resolved at meetings of management committees or general meetings convened by Owners' Corporations (OCs) pursuant to the provisions of BMO and DMCs. At present, all TPS estates have already formed their OCs, which have appointed property management companies to undertake the management and maintenance work of the common areas and facilities in the estates.

As one of the owners, apart from paying the management fee according to its ownership shares, HA also appoints representatives to take part in OC's work and liaises with other government departments in order to provide assistance when necessary. HA also gives advice to OCs on matters including the day-to-day management of the estates and requirements of DMCs and relevant legislation, etc. from time to time, as well as encourages other owners to put emphasis on the overall interests of the estates so as to safeguard the interests of all owners (including HA) and to ensure the quality and the effectiveness of estate management work. Moreover, HA will also convey the views of its tenants to OCs and encourage OCs and the property management companies to maintain communication with the tenants.

As mentioned above, TPS estates are no different from private properties. The day-to-day management and maintenance of common areas and facilities are undertaken by OCs. As one of the owners of TPS estates, HA has not, on its own, carried out any major or estate-wide maintenance works for TPS estates in the past five years.

Currently, the Independent Checking Unit (ICU) under the Permanent Secretary for Transport and Housing (Housing) has been carrying out building control pursuant to the Buildings Ordinance over properties developed and sold by HA, including TPS buildings, in accordance with the delegated authority from the Director of Buildings and the prevailing policies and guidelines of the Buildings Department. In the past five years, ICU received about 5.5 cases of complaints and requests for assistance concerning the structural safety of the buildings in each TPS estate per year on average (see Annex II for details). ICU does not maintain any statistics on the breakdown of these cases by category.

Regarding Chuk Yuen North Estate as mentioned in the Member's question, its then construction works were undertaken by the works contractor according to the working drawings endorsed by HA, and the construction process and engineering quality control were under the direct supervision of a professional project team. HA has in place stringent regulatory procedures on the construction of reinforced concrete. Only steel reinforcing bars that have passed the relevant tests are permitted for use. In case any irregularity is identified during HA's inspection of formworks and steel fixing, the contractor will be immediately notified for rectification. HA will also conduct inspections and acceptance tests upon completion of steel fixing at the appropriate locations by the contractor. If any steel reinforcing bars are found to be non-compliant with the requirements in the working drawings, the contractor will be instructed to conduct modification works immediately. At the same time, in the course of the construction period, the contractor may occasionally put forward requests for alteration of steel reinforcing bar arrangements in the light of the actual circumstances on site, such as for addressing the position and spacing problems that may arise from pipe installation. HA would consider accepting the alteration proposals if the measures involved would not compromise structural safety. The contractor will not be permitted to commence concrete pour works until HA is satisfied with the re-examination results.

As regards the safety of the canopies at Chuk Yuen North Estate, representatives of the ICU have conducted site inspections on April 9 and April 30, 2018. Only some minor cracks and concrete spalling were observed on the top and at the bottom of the slabs of the canopies, which may probably be due to ageing of the buildings and issues relating to repair and maintenance. In respect of the opening at the canopy at Mui Yuen House, it was observed on site that the concrete was in sound condition and without signs of segregation. The steel bars were at a healthy condition, except some minor rusting. In any case, just like what I have just said, the HA has appointed representatives from the Housing Department at all TPS estates. We will offer assistance to the OC of Chuk Yuen North Estate with a view to easing the concern of the public by clarifying the facts.

Thank you, President.

Operator and managers of unlicensed guesthouses fined

Three women were fined \$7,000 to \$10,000 at Kowloon City Magistrates' Courts today (June 6) for contravening the Hotel and Guesthouse Accommodation Ordinance.

The courts heard that in November last year, officers of the Office of the Licensing Authority (OLA), the Home Affairs Department, inspected three suspected unlicensed guesthouses on Nathan Road and Reclamation Street in Kowloon. During the inspections, the OLA officers posed as lodgers and successfully rented rooms in these guesthouses on a daily basis.

According to the OLA's records, these guesthouses did not possess licences under the Ordinance on the days of inspection. The women responsible for operating and managing the premises were charged with contravening section 5(1) of the Ordinance.

A department spokesman stressed that operating or managing an unlicensed guesthouse is a criminal offence and will lead to a criminal record. Upon conviction, the offender is liable to a maximum fine of \$200,000 and two years' imprisonment.

The spokesman appealed to anyone with information about suspected unlicensed guesthouses to report it to the OLA through the hotline (Tel: 2881 7498), by email (hadlaeng@had.gov.hk), by fax (2504 5805) using the report form downloaded from the OLA website (www.hadla.gov.hk), or through the mobile application "Hong Kong Licensed Hotels and Guesthouses".

EMSD requests MTRCL to investigate staff assessment mechanism

The Electrical and Mechanical Services Department (EMSD) has grave concern about the media report of cheating by staff of the MTR Corporation Limited (MTRCL) during qualification assessments. The EMSD today (June 6) demanded that the MTRCL carry out investigation and submit detailed information to ensure that the entire process of staff assessment is conducted in strict accordance with the requirements and guidelines of the MTRCL.

The EMSD emphasised that the safety and reliability of the railway system, with a daily patronage of over 5 million, is of utmost importance. Apart from investigating the cause in the event of a railway incident and ensuring the MTRCL's full and effective implementation of all identified improvement measures, the EMSD will also conduct regular inspections and monitor the MTRCL's strict compliance with its safety management system, including staff training and competence management, so as to ensure railway safety.