

LCQ11: Hong Kong's transport infrastructure

Following is a question by the Hon Chan Hak-kan and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (December 4):

Question:

For several consecutive days of last month, the train services of various railway lines (especially the East Rail Line) were reduced or even suspended due to vandalism of facilities and blockage of trunk roads such as the Tolo Highway. As a result, the external transport for residents in the New Territories (especially those living in Tai Po and North District) almost came to a halt, thus seriously affecting their work and daily lives. There are comments that such a situation has revealed the vulnerability of Hong Kong's transport network. Besides, some members of the public have relayed that as roads and railway stations have been frequently closed in haste due to demonstrations and they have difficulty in getting to know the latest traffic news and arrangements, they have experienced great inconvenience in travelling. In respect of improving Hong Kong's transport infrastructure, will the Government inform this Council:

(1) of the respective numbers of cases of (i) the facilities of the East Rail Line being vandalised and (ii) the Tolo Highway being blocked, in each of the past three years, and the details of such cases;

(2) whether it will, by drawing the experience from the aforesaid incidents, improve the planning for the transport network with a view to enhancing its capability to withstand any attack; if so, of the details; of the relief transport arrangements to cope with various contingencies;

(3) whether it will improve the existing mechanism and channels for disseminating traffic news to ensure that members of the public can conveniently get to know the latest traffic news and arrangements; and

(4) as it has been reported that the reinstatement works for MTR University Station are almost of a scale of reconstructing the station, whether the Government will discuss with the MTR Corporation Limited to upgrade the facilities of that station along with the reinstatement works, including (i) extending the cover to the entire platform, (ii) narrowing the gap between the platform and the train, and (iii) building a new exit and connecting it to the Hong Kong Science Park by a pedestrian link installed with travellers?

Reply:

President,

Since early June 2019, over 900 protests, processions and public meetings have been staged in Hong Kong, many of which eventually turned into violent illegal events, including maliciously blocking various strategic routes and cross-harbour tunnel facilities, paralysing the traffic, as well as wantonly damaging road safety facilities (such as traffic lights, railings and road signs). These reckless acts have jeopardised public order and public safety and severely affected the mobility of the general public.

After consulting the Security Bureau, my reply to the various parts of the Hon Chan Hak-kan's question is as follows:

(1) The Tolo Highway was blocked for several days in November this year. Between 2016 and 2018, the Transport Department (TD) did not receive any reports on vandalism or blockage of the Tolo Highway.

As regards the East Rail Line (EAL), according to the information provided by the MTR Corporation Limited (MTRCL), there was no case of vandalism of the EAL facilities between 2016 and 2018 which led to delay of train service for eight minutes or more. In February this year, the overhead lines near MTR Tai Wo Station of the EAL were struck by a falling metal object suspectedly thrown from a footbridge above the overhead lines, causing a failure of the power supply system, which in turn temporarily disrupted train service on the EAL. The MTRCL reported the case to the Police.

Since June this year, Hong Kong has seen large-scale public order events taking place continuously with some of the events turning into violent clashes, which have had severe impact on MTR services. In particular, from July to November, the MTR network (including the EAL) and the facilities of numerous MTR stations (e.g. platform screen doors, closed circuit televisions, lifts, escalators, fire service installations and entry/exit gates, etc.) were vandalised, and fires were set to station entrances/exits as well as trains. Trackside signalling equipment was also vandalised. The walls and floors of stations were defaced extensively with graffiti. Fire hoses in stations were abused to flood station floors. Emergency exit ramps of trains were improperly released. Miscellaneous objects and petrol bombs were hurled at overhead lines, tracks and trains in operation. All the above acts have posed serious threat to the safety of passengers, MTR staff and the railway.

(2) The Emergency Traffic Co-ordination Centre (ETCC) under TD, which operates 24 hours a day, closely monitors the situation of traffic and transport services. ETCC liaises and co-ordinates with relevant government departments, public transport service operators and organisations concerned in handling traffic incidents; and disseminates the latest traffic news to the public.

In addition, TD has all along put in place contingency plans for individual strategic routes and rail lines. In case of an incident, TD, relevant government departments (such as the Police and works departments), public transport service operators as well as tunnel and bridge management

companies, etc. will maintain contact and co-ordinate appropriate actions according to the procedures set out in the contingency plans. The contingency measures concerned include traffic diversion, strengthening of alternative services by other public transport service operators and dissemination of relevant information to the public so as to minimise the impact of the incidents on various road users as far as possible.

On the other hand, it is the statutory duty of the Police to take actions to maintain public safety and public order, as well as to ensure that the traffic remains smooth. When public order and public safety are severely threatened by incidents such as illegal road blockage and paralysed traffic, the Police must take appropriate actions to maintain law and order and safeguard public peace.

The Police will continue to enhance co-operation and liaison with various public transport service operators and relevant government departments, and will formulate appropriate contingency plans and strengthen relevant organisations' awareness of security through regular meetings, thereby enhancing the security level and resilience of the transport network system.

(3) On information dissemination, ETCC of TD issues electronic press releases to the media as soon as practicable after occurrence of traffic incidents, and disseminates the latest traffic and transport information to the public via TD's mobile application "HKeMobility", the department's website (www.td.gov.hk) and variable message signs on highways. In addition, designated staff are deployed by ETCC to make radio broadcasts on information relating to the incidents and call for public attention to the unexpected road situation of individual districts and the latest arrangements on public transport service.

ETCC also updates the incident information on "HKeMobility" in a timely manner and announces specific traffic and transport arrangements, including individual roads being affected, links to websites on public transport service arrangements of franchised bus companies, etc. Text version of the above-mentioned messages aside, TD also uses graphics to display information about affected stations and road situation. In this regard, maps about the railway service status and major road status are added to "HKeMobility", enabling the public to have a better grasp of the detailed traffic information and make appropriate travel arrangements accordingly.

So far, the cumulative number of downloads of the mobile application "HKeMobility" has reached 2.1 million. We will continue to enhance its functions with a view to providing various road users with more comprehensive and accurate traffic and transport information.

Moreover, in case of railway service disruption, the MTRCL will disseminate promptly updated train information to passengers via its website, its mobile application "MTR Mobile", broadcasts at stations and inside train compartments as well as the media, so that passengers can make early planning for their trips.

(4) Major public order events in recent months have led to vandalism and violent behaviour, with their scale escalating since August. For instance, a number of facilities and trackside signalling equipment at the University Station of the EAL have been seriously and maliciously damaged. The University Station is still closed and trains will not stop there. Repair works of the Station are underway and are expected to take a longer period of time.

During the course of reinstatement works, the MTRCL will consider replacing station facilities as appropriate, depending on the actual circumstances. However, extending the cover to the entire platform and building new exits may involve significant changes to the station structure. Relevant government departments and the MTRCL will need to give thorough and careful consideration to such suggestions. As for narrowing the gap between the platform and the train, since it was necessary to ensure compatibility with different geographic settings of different sections and to support the operational needs of different trains back then when EAL was constructed, wider gaps have been constructed for the EAL platforms. Furthermore, some of the stations along the EAL (including the University Station) are located in a curve position, which also result in wider platform gaps. Nonetheless, the MTRCL has all along given the highest priority to passenger safety. Various measures have therefore been adopted to alert passengers to the platform gaps so as to avoid accidents.

LCQ13: Statutory cooling-off period for beauty and fitness services consumer contracts

Following is a question by the Hon Shiu Ka-fai and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (December 4):

Question:

Early this year, the Government launched a three-month public consultation exercise on a proposal for a statutory cooling-off period for consumer contracts, including those relating to beauty services. As revealed by the findings of a questionnaire survey released in May this year, nearly half of the beauty companies intended to close their business once the statutory cooling-off period is implemented. Notwithstanding that many industries have languished due to the movement of opposition to the proposed legislative amendments which erupted in June this year, the Government plans to introduce into this Council a bill to put in place a statutory cooling-off

period for beauty services consumer contracts, with a view to passing it in the current legislative session. In this connection, will the Government inform this Council:

(1) whether it has assessed if, at the present stage, the enactment of legislation to put in place a statutory cooling-off period for beauty services consumer contracts will put the beauty service industry in the doldrums; if it has assessed, of the outcome; if not, the reasons for that;

(2) of the number of complaints about unfair trade practices received by the Customs and Excise Department (C&ED) since the amended Trade Descriptions Ordinance (Cap. 362) came into operation in July 2013; among such cases, the respective numbers of those the investigation of which was completed, and those in which the persons concerned were prosecuted and convicted (with a tabulated breakdown by trade);

(3) of the number of complaints involving suspected aggressive commercial practices (ACP) received by C&ED in each of the past five years (with a tabulated breakdown by trade);

(4) as the relevant public consultation paper has pointed out that investigation of ACP cases has been difficult for C&ED, of the staffing establishment of C&ED officers responsible for the relevant work and the procedure they are required to follow at present;

(5) as the Government has pointed out in the consultation paper that it appreciates that most traders in the beauty service industry are honest businessmen, whether the Government has assessed in detail if the implementation of a statutory cooling-off period applicable to the entire beauty service industry is a proportionate means to crack down on a handful of black sheep; if it has assessed, of the details; if not, the reasons for that;

(6) as the beauty service industry has suggested that it is not necessary to implement a cooling-off period by way of legislation, and instead provisions on cooling-off periods may be added, on a voluntary basis, to beauty services consumer contracts (e.g. providing for a partial refund of money to consumers under specified circumstances and the mediation arrangements in the event of contractual disputes), whether the Government has studied the suggestion; if so, of the details; if not, the reasons for that; and

(7) since the Government knows that providing consumers with a statutory right, by way of legislation, to cancel contracts unilaterally may make them less cautious in making transaction decisions, thereby giving rise to moral hazards, coupled with the fact that the administrative fees charged by the traders may not be sufficient to offset the costs incurred by them due to cancellation of contracts by consumers, of the reasons why the Government still proposes to introduce a statutory cooling-off period by way of legislation, forcing numerous honest businessmen to bear the heavy burden brought about by the additional costs?

Reply:

President,

My reply to the seven parts of the question is as follows:

(1), (5), (6) and (7) The Government is committed to protecting the legitimate rights of consumers. We seek to put in place an effective, transparent and just regime under which both consumers and businesses can trade fairly.

Given the seriousness of complaints concerning aggressive commercial practices (ACP) involving beauty and fitness services in recent years, and considering the views from various sectors of the community, including the Legislative Council (LegCo) Panel on Economic Development and the Consumer Council (the Council), the Commerce and Economic Development Bureau conducted a public consultation from January to April 2019 on the proposed statutory cooling-off period for beauty and fitness services consumer contracts.

As mentioned in the public consultation document, it is expected that the implementation of a cooling-off period might increase the administrative costs of traders, particularly for non-cash payments, which may generate expenses such as the time and staff costs arising from refund processing and the transaction fees payable to credit card merchant acquirers, etc. Hence, the Government proposed in the public consultation document that a trader would be allowed to deduct an administrative fee of up to three per cent of the transaction amount if a consumer made a one-off payment by non-cash means, or up to five per cent of the transaction amount for payment by non-cash instalment payment plans, to recover part of the costs. The proposed level of administrative fee will have an effect of discouraging abuse of the cooling-off period but may not completely offset all of the traders' costs arising from contract cancellation, thereby also providing incentives for traders to improve their sales practices. In addition, a consumer would need to pay the relevant cost if some of the services had been received prior to contract cancellation. When drafting the legislation, the Government will strive to make the relevant provisions as clear as possible, and to provide a sample contract cancellation form so as to facilitate compliance by traders.

Regarding the suggestion that the beauty industry may offer cooling-off period on a voluntary basis, the Government has made reference to the experience of the Council in encouraging traders to offer voluntary cooling-off period over the years, and considers it unlikely to be feasible. The Council formed a task force comprising many representatives from the beauty trade and published the "Beauty Industry Code of Practice" in June 2006, which included a recommendation to provide a cooling-off period. However, the Council is not aware of any quantitative data in respect of the implementation of the recommendation by the trade. The Council considers that unscrupulous traders who deliberately deploy aggressive sales tactics would unlikely offer any cooling-off period to consumers. For those traders who do offer cooling-off period, some may impose certain terms and conditions in the contracts to make contract cancellation difficult (for example, a

cooling-off period of only 24 hours; consumers losing the right to cancel contracts after either commencement of services or acceptance of gifts; and substantial cancellation fee). Furthermore, according to the Council's experience, in an industry that has many traders with wide variances in scale and without powerful trade associations, it would be extremely difficult to reach an agreement on a uniform implementation of any voluntary cooling-off period arrangement. The Government considers that the experience shared and concerns raised by the Council should not be taken lightly.

In fact, the impact of the statutory cooling-off period on the relevant trades mainly depends on the number of consumers who would ultimately cancel their contracts. For honest businessmen in general, most of the consumers who purchase services out of genuine need would not cancel contracts merely because of the implementation of the statutory cooling-off period. On the contrary, the statutory cooling-off period can enhance consumer confidence and may benefit the relevant trades.

During the public consultation period, members of the public and the trades have put forward many valuable comments on legislating for a cooling-off period. The Government is studying and consolidating the comments, with a view to publishing the public consultation report and introducing the relevant bill into LegCo in early 2020, when LegCo can consider and scrutinise the legislative proposal and details of the bill.

(2) The figures in respect of the Customs and Excise Department's (C&ED) enforcement actions against the six types of prohibited unfair trade practices (Note 1) since the commencement of the amended Trade Descriptions Ordinance (Cap. 362) (the Ordinance) in July 2013 and up to October 2019 are as follows:

	Number of complaints received	Number of cases with investigations completed	Number of cases with prosecutions completed	Number of cases convicted
Food and beverage (Goods)	5 425	235	60	53
Fitness and yoga (Services)	3 703	84	4	4
Electrical and electronic goods (Goods)	3 505	336	144	140
Ginseng and dried seafood/ pharmacy and Chinese medicines (Goods)	2 894	291	95	85
Travel (Services)	2 590	93	5	5

Beauty and hairdressing (Services)	2 393	115	17	12
Supermarket, department store and convenience shop (Goods)	2 041	74	12	12
Furniture, renovation and interior design (Goods)	1 724	15	1	1
Broadcasting and telecommunications (Goods)	1 450	2	0	0
Education (Services)	1 046	52	6	5
Others	20 217	526	112	105
Total	46 988	1823	456	422

(3) The number of ACP complaints received by C&ED in the past five years is as follows:

	2014	2015	2016	2017	2018	January to October 2019	Total
Fitness and yoga (Services)	45	112	75	37	202	437	908
Beauty and hairdressing (Services)	57	103	84	75	43	39	401
Travel (Services)	12	8	14	30	55	28	147
Jewellery and watches (Goods)	0	9	5	2	3	4	23
Ginseng and dried seafood/pharmacy and Chinese medicines (Goods)	8	3	0	1	0	2	14
Investment and finance (Services)	6	3	1	0	1	1	12
Food and beverage (Goods)	5	1	0	2	0	1	9
Electrical and electronic goods (Goods)	5	0	1	0	0	1	7

Furniture, renovation and interior design (Goods)	3	1	2	0	1	0	7
Beauty and hairdressing products (Goods)	2	1	1	0	0	0	4
Others	8	13	8	4	7	23	63
Total	151	254	191	151	312	536	1 595

(4) As the principal enforcement agency of the Ordinance, C&ED attaches great importance to the enforcement work and has been adopting a multi-pronged strategy comprising stringent enforcement, compliance promotion as well as public education and publicity.

Currently, there are 227 officers in the establishment of C&ED responsible for the enforcement of the Ordinance. These include the 37 additional posts created in 2019-20 to enhance C&ED's capacity to enforce the Ordinance, enabling the department to handle complaints, investigations and enforcement work in respect of unfair trade practices more effectively.

C&ED has been proactive in handling the reports of cases received and following up with their investigations. Upon receipt of a report of case involving the Ordinance, C&ED will consolidate the information available and conduct preliminary assessment and classification so as to determine whether the case warrants further investigation. After conducting in-depth investigation and gathering evidence in respect of a case, C&ED will take appropriate enforcement actions on the basis of the facts and evidence of the case and consult the Department of Justice to determine whether there is sufficient evidence for prosecution.

Note 1: The six types of unfair trade practices are false trade descriptions, misleading omissions, ACP, bait advertising, bait-and-switch and wrongly accepting payment.

[LCQ21: Participation of Hong Kong Garrison in voluntary activity](#)

Following is a question by the Hon Dennis Kwok and a written reply by the Secretary for Security, Mr John Lee, in the Legislative Council today (December 4):

Question:

It has been reported that on the 16th of last month, some members of the

Chinese People's Liberation Army Hong Kong Garrison (Hong Kong Garrison) who stationed in the Kowloon Tong barracks walked out of the barracks to Renfrew Road in Kowloon Tong to clear the road barricades there. On the other hand, Article 14 of the Basic Law stipulates that: "[t]he Government of the Hong Kong Special Administrative Region shall be responsible for the maintenance of public order in the Region. Military forces stationed by the Central People's Government in the Hong Kong Special Administrative Region for defence shall not interfere in the local affairs of the Region. The Government of the Hong Kong Special Administrative Region may, when necessary, ask the Central People's Government for assistance from the garrison in the maintenance of public order and in disaster relief". In this connection, will the Government inform this Council whether the said operation of the members of the Hong Kong Garrison was conducted in response to a request for assistance made by the Government of the Hong Kong Special Administrative Region (HKSAR) to the Central People's Government under the aforesaid article; if so, of the justifications for the HKSAR Government to make such a request; if not, whether the HKSAR Government: (i) knows the Mainland department(s) and/or official(s) on whose instruction the operation was conducted, and the justifications for issuing the instruction, and (ii) has assessed if the operation has breached the aforesaid article; if it has assessed and the outcome is in the affirmative, of the follow-up actions; if the assessment outcome is in the negative, the justifications for that?

Reply:

President,

The Chinese People's Liberation Army Hong Kong Garrison (the Hong Kong Garrison) is the military forces stationed by the Central People's Government (CPG) in the Hong Kong Special Administrative Region (HKSAR) to perform defence functions for maintaining the sovereignty, unity and territorial integrity of the State. Over the years, the Hong Kong Garrison has reserved no effort in conducting various defence exercises, focusing on enhancing combat level, and has been serving as a solid back-up for upholding the HKSAR's long-term prosperity and stability. Besides, the Hong Kong Garrison is also a member of the Hong Kong community, seeing Hong Kong as its home with strong commitment to protecting it. The Hong Kong Garrison has received the respect, trust and affection of the people of the HKSAR.

The Hong Kong Garrison has been performing its functions and responsibilities in the HKSAR in strict accordance with the Basic Law, the Law of the People's Republic of China on the Garrisoning of the HKSAR (Garrison Law) and other relevant laws, and actively complementing the HKSAR Government's law-abiding governance. Since returning to the Motherland, the Hong Kong Garrison has always been well-disciplined and law-abiding. These are witnessed and recognised by the people in Hong Kong.

According to Article 14 of the Basic Law, the CPG shall be responsible for the defence of the HKSAR, and the HKSAR Government shall be responsible for the maintenance of public order in the HKSAR. Military forces stationed by the CPG in the HKSAR for defence shall not interfere in the local affairs

of the HKSAR. The HKSAR Government may, when necessary, ask the CPG for assistance from the Hong Kong Garrison in the maintenance of public order and in disaster relief. In addition to abiding by national laws, members of the Hong Kong Garrison shall abide by the laws of the HKSAR. Since returning to the Motherland, Article 14 of the Basic Law has never been activated by the HKSAR Government.

The functions and responsibilities of the Hong Kong Garrison are set out in detail in the Garrison Law. According to Article 5 of the Garrison Law, defence functions and responsibilities performed by the Hong Kong Garrison include preparing against and resisting aggression, and safeguarding the security of the HKSAR; carrying out defence duties; controlling military facilities; and handling foreign-related military affairs. According to Article 16 of the Garrison Law, obligations fulfilled by members of the Hong Kong Garrison include to be loyal to their Motherland, perform their functions and responsibilities, maintain the security, honour and interests of the Motherland, and safeguard the security of Hong Kong; to abide by national laws and the laws of the HKSAR, and observe military discipline; to respect the organs of political powers, the social system and the ways of life of the HKSAR; to cherish the public property of the HKSAR and the private property of Hong Kong residents and other persons; and to observe public ethics and cultivate civility and courtesy. It is stated in Articles 9 and 10 of the Garrison Law respectively that the Hong Kong Garrison shall not interfere in the local affairs of the HKSAR, and the HKSAR Government shall support the Hong Kong Garrison in its performance of defence functions and responsibilities and guarantee the lawful rights and interests of the Hong Kong Garrison and its members.

On November 16 this year, many members of the public came out at their own initiative to clear a large number of barricades set up by rioters in various districts. Members of the public and various Government departments worked together to facilitate the reopening of many blocked roads. That afternoon, when members of the public were clearing the barricades in Renfrew Road near the Kowloon East Barracks (the Barracks) of the Hong Kong Garrison, some members of the Hong Kong Garrison joined them in the clearing of road blocks outside the entrance of the Barracks. The assistance of the Hong Kong Garrison in the clearing of road blocks that day was a voluntary activity initiated by themselves. The HKSAR Government did not request the Garrison's assistance. The activity concerned was not related to Article 14 of the Basic Law in respect of the HKSAR Government seeking assistance from the Hong Kong Garrison for disaster relief. The participation of the Hong Kong Garrison in such activity was not inconsistent with any regulation in the Basic Law, Garrison Law and other relevant laws.

The Hong Kong Garrison's management over its members is a defence matter of the Hong Kong Garrison. We do not comment on defence functions which are not the affairs of the HKSAR Government.

SFH to attend 2nd Guangdong-Hong Kong-Macao Greater Bay Area Chinese Medicine Inheritance, Innovation and Development Conference

The Secretary for Food and Health, Professor Sophia Chan, will lead a delegation to Zhuhai this afternoon (December 4) to attend the 2nd Guangdong-Hong Kong-Macao Greater Bay Area Chinese Medicine Inheritance, Innovation and Development Conference to be held tomorrow (December 5).

The conference, organised by the Traditional Chinese Medicine Bureau of Guangdong Province, provides a platform for leaders and the industry in the field of Chinese medicine and the trade in Hong Kong, Macao and other cities in the Greater Bay Area to exchange views and share experience on policies, industry development and scientific research in relation to Chinese medicine.

Professor Chan will deliver a speech and sign the Memorandum of Guangdong-Hong Kong-Macao Greater Bay Area Chinese Medicine Cooperation with officials from the Mainland and Macao at the opening ceremony of the conference tomorrow. She will also participate in a roundtable meeting to speak with other leaders and guests on building a Chinese medicine community with innovation and a shared future in the Guangdong-Hong Kong-Macao Greater Bay Area.

Professor Chan said, "With its robust healthcare system and enjoying the advantage of being Asia's world city and a gateway to the Mainland, Hong Kong will continue to capitalise on its unique advantages of East meets West and research in Chinese materia medica standards to develop the 'Hong Kong model' for promoting Chinese medicine overseas. We shall further promote the inheritance and innovation of Chinese medicine, thereby contributing to the development in the Greater Bay Area and the Belt and Road Initiative of our country."

The delegation, comprising representatives from the Food and Health Bureau, the Department of Health and the Hospital Authority, will return to Hong Kong tomorrow afternoon.

During Professor Chan's absence from Hong Kong, the Under Secretary for Food and Health, Dr Chui Tak-yi, will be the Acting Secretary for Food and Health.

IMF commends resilience of Hong Kong's financial system and welcomes Government's policies to support economy and safeguard financial stability

An International Monetary Fund (IMF) Staff Mission has commended the resilience of Hong Kong's financial system and Linked Exchange Rate System (LERS) despite a slowing economy, noting that a history of prudent macroeconomic policies has left Hong Kong with significant buffers to navigate through cyclical and structural challenges. The Mission also expressed support for the Government's various policies to support the economy and safeguard financial stability.

The assessment was made in the Concluding Statement of the IMF Mission published today (December 4), following the 2019 Article IV Consultation with the Hong Kong Special Administrative Region (HKSAR).

The Financial Secretary, Mr Paul Chan, said, "I welcome the IMF's recognition of our robust policy framework and significant buffers built up over the years to cushion possible shocks to our economy and financial system, amid weakened economic activity and mounting headwinds on the outlook. I am glad that the IMF supports the relief measures we formulated earlier to cope with the economic challenges. We will stay vigilant and monitor the economic situation closely. We are prepared to roll out further relief measures if necessary."

Mr Chan further said, "I also welcome the IMF's recognition of our ongoing work to enhance Hong Kong's long-term competitiveness. We will step up efforts to capitalise on the emerging opportunities from green finance, fintech and the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

The Chief Executive of the Hong Kong Monetary Authority (HKMA), Mr Eddie Yue, said, "I welcome the IMF's staunch support for the LERS. The IMF's vote of confidence speaks volumes about the LERS's credibility and its importance as an anchor of monetary and financial stability in Hong Kong. Despite increasing global and domestic uncertainties, the LERS continues to operate smoothly and has demonstrated once again its resilience. We have the capability, resources and determination to safeguard the LERS, and we will continue to communicate effectively with the public to maintain international and domestic confidence in our financial and monetary system."

Mr Yue added, "I also welcome the IMF's positive assessment of our regulatory and supervisory framework. As noted by the IMF, the HKMA will

continue to enhance and update our supervisory regime in light of the evolving market landscape and financial stability challenge, particularly with the rapid adoption of technology by the banking industry."

The Concluding Statement notes that Hong Kong's economic activity weakened significantly in 2019 and fell into a technical recession in the third quarter. Hong Kong's real Gross Domestic Product is expected to contract by 1.2 per cent in 2019 and return to positive growth of 1 per cent in 2020, led by a recovery of private consumption. Near- and medium-term risks to the growth outlook are tilted to the downside against the backdrop of US-China trade tensions and the sociopolitical situation in Hong Kong, but the GBA development is expected to improve growth prospects in the medium term.

The Mission reckoned that Hong Kong's financial markets remain resilient despite a slowing economy. It assessed that a history of prudent macroeconomic policies has provided Hong Kong with strong buffers to address cyclical and structural challenges. These buffers include sizeable foreign exchange reserves, a large net international investment position, banks' strong capital and liquidity buffers at levels well above international standards, and large fiscal reserves.

The Mission reaffirmed the IMF's support for the LERS, noting that it has continued to function well amid increased global financial market volatility. The Mission underlined that the LERS remains an appropriate arrangement for Hong Kong, anchoring the stability of its highly open economy and globally integrated monetary and financial system.

The Mission welcomed the Government's recent introduction of fiscal stimuli to support the economy, which include support for small- and medium-sized enterprises, further tax relief, extra social security payments and subsidies for households. The Mission considered that expansionary fiscal policy is needed to support the slowing economy in the near term.

The Mission commended Hong Kong for strengthening the regulatory and supervisory framework for safeguarding financial stability and noted that its solid anti-money laundering and counter-terrorist financing system is delivering good results. The Mission also reckoned that the development of green finance and the GBA offers opportunities for Hong Kong to maintain its competitiveness as a global financial centre.

The Mission supported the Government's three-pronged approach of increasing housing supply, implementing countercyclical macroprudential measures and implementing demand-management stamp duties to contain housing market risks and increase housing affordability. It considered that the current macroprudential stance should be maintained.

The Mission visited Hong Kong from October 23 to November 4 for the 2019 Article IV Consultation with the HKSAR. It held discussions with government officials, regulators and private sector representatives. The Mission's Concluding Statement is attached in the Annex. The full report of the Article

IV Consultation will be discussed by the IMF Executive Board later this month.