

## LCQ17: Implementation of Land Titles Ordinance and land title registration system

Following is a question by the Hon Paul Tse and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (June 27):

Question:

The Land Titles Ordinance (Cap. 585) (the Ordinance), enacted by this Council on July 7, 2004, aims to replace the deeds registration system with a new system for registering the title to land and the interests in the land subject to which the title is held, so as to provide greater certainty to both the ownership of land and title to property, and simplify property conveyancing procedures. However, so far no implementation date for the Ordinance has been fixed since its enactment nearly 14 years ago. On the other hand, some members of the legal sector have said that under the deeds registration system, legal practitioners have to carry out the onerous task of searching land records for property conveyancing and real estate transactions. This, coupled with the fact that their salary is generally low, has resulted in a drain of talents and acute manpower shortage. In this connection, will the Government inform this Council:

(1) as the authorities said that various complex issues had to be resolved before commencement of the Ordinance, for example, the mechanism for converting lands under the existing system to those under the new system as well as the "daylight conversion" mechanism (i.e. automatic conversion at the end of the 12th year after commencement of the Ordinance) might affect the titles to land the registers of which showed indeterminate ownership, and cause the Land Registry to be legally liable for the compensation concerned, of the progress made by the authorities in tackling those problems; whether, according to the authorities' assessment, there is any problem which cannot be resolved in the end;

(2) as the authorities said that after a broad consensus had been reached with the key stakeholders on the implementation of the Land Title Registration System on new land first (the new land first proposal), they would consult the Land Titles Ordinance Review Committee and the Land Titles Ordinance Steering Committee before submitting the proposal and introducing the Land Titles (Amendment) Bill to this Council, whether the authorities will draw up the relevant timetable expeditiously to facilitate members of the public and legal practitioners to make corresponding arrangements early; and

(3) of the estimated amount of administrative expenditure to be saved for the legal practitioners concerned and the number of jobs to be created in the

legal sector under the new land first proposal?

Reply:

President,

The Land Titles Ordinance (Chapter 585) (LTO) aims to establish a new system, which the Title Register will provide conclusive evidence of title to and of interests in the registered land, in place of the present deeds registration system that gives no guarantee to title with a view to providing greater certainty to property titles and to simplify the procedures of checking title documents in conveyancing. The Legislative Council, when passing the Bill in July 2004, requested the Government to conduct a comprehensive review on a number of issues to be settled and consider making further amendments to the LTO in consultation with the stakeholders before its implementation.

Our reply to the various parts of the question raised by the Hon Paul Tse is as follows:

(1) The land title registration system is inherently complicated. It involves complex legal issues and carries significant implications. Since the enactment of the LTO, the Government has conducted thorough review of the LTO provisions, and has put forward different proposals to address and balance the divergent views of and to forge consensus with stakeholders with regard to various complicated issues including the mechanism for converting and bringing existing land to the land title registration system, and rectification and indemnity arrangements which are closely interrelated issues.

To address the key and closely interrelated issues mentioned above, the Government put forward the proposal of Two-Stage Conversion Mechanism, under which existing land will automatically undergo the first stage primary conversion and be brought under the LTO on a designated date; after a 12-year period, the land (unless subject to any restriction against conversion) will automatically undergo the last stage full conversion and be fully converted to registered land under the LTO. During the primary conversion period, the Government will conduct basic screening on the title chain for existing land registers. If a case of broken or multiple chains of title is identified, the Land Registrar may register a Land Registrar's Caution Against Conversion to withhold the land or property from being fully converted to the new system. The affected land or property will remain in the primary conversion stage until the relevant title issue is resolved, whereupon it can undergo full conversion to become registered land. The proposal of Two-Stage Conversion Mechanism also offers solutions to tackle the divergent views of the stakeholders on rectification and indemnity arrangements. The Government has conducted extensive discussions with major stakeholders on the Two-Stage Conversion Mechanism. However, no consensus has yet been reached on the proposal. In particular, there are still divergent views on how the basic screening on the title chain for land registers of existing land be conducted.

The Government will continue to closely liaise with the major stakeholders and strive to seek an acceptable proposal on the necessary amendments to be made to the LTO in light of the comments received.

(2) To enable early implementation of title registration system in Hong Kong, the Government is actively pursuing consensus with the major stakeholders on the "new land first" proposal, including conducting briefing sessions to explain the proposal to the major stakeholders. The Government expects to, after general consensus on the "new land first" proposal being reached, consult the LTO Steering Committee and the LTO Review Committee on the major recommendations in taking forward the proposal. The Government will then refine the "new land first" proposal in light of the Committees' comments and prepare as soon as possible a more concrete timetable for the preparation of the Land Titles (Amendment) Bill and introduction of such amendment bill to the Legislative Council for scrutiny.

(3) As mentioned by the Member, under the present deeds registration system, when conducting conveyancing and property transactions, legal practitioners are required to conduct tedious checking of land records in order to ascertain the title to the property. When title registration system is implemented in Hong Kong, for registered land under the new system, the Title Register will be the conclusive evidence of title to the property (except as stipulated in the rectification provisions). Legal practitioners will no longer be required to trace and check the land records of 15 years or even more in order to ascertain the vendor's title as under the existing practice, but can rely on the Title Register and check the relevant instruments according to the registered matters. The new system will simplify the work relating to checking of land records and thus bring convenience to practitioners and purchasers. On the other hand, we believe that even after title registration system is implemented, legal practitioners will still have an important role to play in rendering legal advices to their clients. Apart from checking the registered matters on the Title Register and the relevant instruments, they will need to prepare the relevant legal documents, advise on the covenants and conditions set out in the relevant government leases, verify the parties' identity, verify the content of the registration applications, check the overriding interests etc. At this stage, it is difficult to assess the actual impact or influence of the "new land first" proposal on the legal profession.

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## **LCQ14: Regulation of ingredients and labelling of personal care products and cosmetics**

Following is a question by the Dr Hon Chiang Lai-wan and a written reply

by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (June 27):

Question:

It has been reported that some facial cleansing products available for sale in Hong Kong contain dyes that have been banned by the European Union (EU). In the past, some sunscreen lotions and hair dye products were found after tests to contain estrogenic endocrine disruptors which were carcinogenic and allergens respectively. On the other hand, personal care products and cosmetics for sale in Hong Kong are now required to comply only with "the general safety requirement" in the Consumer Goods Safety Ordinance (Cap 456). In this connection, will the Government inform this Council:

(1) whether the authorities will, by making reference to the relevant practices applied in EU or internationally, formulate product safety standards applicable to personal care products and cosmetics, so as to enhance the protection for consumers; if so, of the details; if not, the reasons for that; and

(2) as some personal care products and cosmetics available in the market either do not have their ingredients labelled or have their ingredients labelled only in the language of the place of origin (neither Chinese nor English), and those products may contain ingredients that may cause allergies or even deaths, whether the authorities will amend the legislation to require that those products must have their ingredients labelled in both Chinese and English, so as to enhance the protection for consumers?

Reply:

President,

Having consulted the Food and Health Bureau, my reply to the two parts of the question is as follows:

(1) The safety of consumer goods which are ordinarily supplied for private use or consumption in Hong Kong, including personal care products and cosmetics, if not covered by other legislation, is subject to the regulation of the Consumer Goods Safety Ordinance (Cap 456) (CGSO) and its subsidiary legislation, Consumer Goods Safety Regulation (Cap 456A) (CGSR). According to the CGSO, manufacturers, importers and suppliers should ensure that the consumer goods comply with the "general safety requirement", which means that they are reasonably safe. In determining whether consumers goods are reasonably safe, one should have regard to all of the circumstances, including the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; and reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description.

Customs and Excise Department (C&ED) is responsible for enforcing the

CGSO. For regulating the safety of personal care products and cosmetics, C&ED will, in accordance with the CGSO, consider relevant reasonable safety standards, including the standards or requirements published by the European Union, the United States and the Mainland to determine whether a product is reasonably safe. If unsafe products are found, C&ED will take appropriate enforcement actions to protect consumers.

(2) The relevant standards or regulations published by the European Union, the United States and the Mainland all require that personal care products and cosmetics be marked with precautions if they contain ingredients with health hazards. Besides, CGSR stipulates that, where consumer goods are marked with any warning or caution with respect to their safe keeping, use, consumption or disposal, such warning or caution should be in both the English and the Chinese languages, as well as legible and conspicuous.

To ensure that personal care products and cosmetics available for sale in the market comply with relevant requirements under the CGSO and CGSR, in addition to investigating into complaints, C&ED will proactively conduct spot checks on wholesalers and retailers and test-purchase products for testing. C&ED will also monitor relevant reports as well as alerts issued by organisations related to product safety. When necessary, C&ED will seek advice from the Department of Health (DH) to examine the products' impact on human health and the risks involved in order to take appropriate enforcement actions, including the issue of prohibition notices or recall notices and initiating prosecution.

Moreover, personal care products and cosmetics which fall within the definition of "pharmaceutical products" under the Pharmacy and Poisons Ordinance (Cap 138) (PPO), must satisfy the criteria of safety, quality and efficacy and be registered with the Pharmacy and Poisons Board before they can be legally sold in Hong Kong.

In addition, hair dye preparations containing phenylne diamines, toluene diamines or other alkylated benzene diamines or their salts are Part 2 poisons under the PPO and should only be sold at registered premises of Authorized Sellers of Poisons (commonly known as pharmacies or dispensaries) or Listed Sellers of Poisons (commonly known as medicine companies). When selling these hair dye preparations, they are also required to comply with the relevant labelling requirements under the PPO including displaying the name of the poison on the container and its proportion in the total composition of the preparation, together with the text of "Caution. This preparation may cause serious inflammation of the skin in certain persons and should be used only in accordance with expert advice.", etc.

Products which fall within the definition of proprietary Chinese medicines under the Chinese Medicine Ordinance (Cap 549) must fulfil the requirements set by the Chinese Medicine Council of Hong Kong (CMCHK) in terms of safety, quality and efficacy, and be registered with the Chinese Medicines Board under the CMCHK before they can be imported, locally manufactured and sold.

To ensure the safety and quality of pharmaceutical products and proprietary Chinese medicines, DH has put in place a regular market surveillance system under which samples of these products are regularly collected from the market for testing. DH has also established a mechanism for adverse incident reporting relating to drugs and Chinese medicines, so as to conduct risk assessment, management and reporting. If substandard pharmaceutical products or proprietary Chinese medicines are found, DH may take actions such as requesting the traders concerned to recall the products, prosecuting the traders concerned and referring the cases to the relevant board/council for follow-up actions, and issuing relevant press statements.

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## LCQ9: Tree management

Following is a question by the Hon Hui Chi-fung and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (June 27):

Question:

Last month, two 80-year-old Chinese banyan trees located at Bonham Road in front of Tang Chi Ngong Building of the University of Hong Kong were removed by workers sent by the Government for the reason that the trees had health and structural problems. It has been reported that some tree experts queried that (i) the risk assessment for the two trees conducted prior to the removal by an arborist of an outsourced service contractor was sloppy, and (ii) the Government had all along failed to maintain and manage the two trees in accordance with the standard for management of stonewall trees. In this connection, will the Government inform this Council:

(1) as the contractor engaged by the Lands Department was required to conduct regular inspection and maintenance of the two trees (including pruning) every six months since mid-2015, whether such maintenance work included (i) improving the soil at the trees' trunk bases, (ii) stabilising the structure of the low-rise wall which was wrapped around by the trees' roots, and (iii) taking measures to enhance the trees' immunity;

(2) given that the two trees met the definition of stonewall trees (i.e. most of the roots spreading on or penetrating through the wall face, and with the trunk bases situated within the confines of a wall), of the reasons why the Government had never maintained and managed the two trees in accordance with the standard for stonewall trees; and

(3) whether the Government conducted, in the past three years, any review on the system of outsourcing tree management, including reviewing whether the practice of awarding service contracts based solely on lowest bidding had led to poor quality of risk assessments for trees, thereby causing the Government

to make wrong decisions on the need to remove trees?

Reply:

President,

Since 2015, the Government has closely monitored the conditions of the two banyan trees and the wall that they are attached to. Qualified arborists of the tree maintenance contractor of the Lands Department (LandsD) conducted risk assessments for the two banyan trees every six months. Upon receiving the assessment report every time, the LandsD reviewed the report in detail and verified the assessment on site. Resistance drilling test using tree inspection equipment on the trunk of one of the trees had also been conducted to determine the extent of rot inside the trunk. Similar resistance drilling test on the other tree was not possible due to site constraints.

Four officers in the Tree Unit of the LandsD are involved in reviewing and conducting on-site verification. All of them possess arboriculture qualifications, including Certified Arborists of the International Society of Arboriculture (ISA), Tree Risk Assessment Qualification of ISA, etc, and have more than 10 years of experience in tree risk assessment and maintenance. Amongst them, a senior tree management officer possesses a master's degree in arboriculture and urban forestry from the United Kingdom and has more than 20 years of experience in tree management.

Upon receiving the tree removal proposal from the LandsD in December last year, Certified Arborists with extensive experience in tree management from the Tree Management Office (TMO) also conducted site inspections and examined the conditions of the two banyan trees and the wall. Having comprehensively considered all factors, including stability of the trees and the wall, the health and structure of the trees, their location, usage of the nearby community facilities, public consequence of tree and wall failure, and availability of practicable mitigation measures, the TMO agreed that it was necessary to remove the trees before the wet season in the interest of public safety.

The TMO also invited tree experts from the Urban Forestry Advisory Panel (UFAP) to conduct field visits to stonewall and wall trees in Hong Kong on April 26, including the banyan trees at Bonham Road, and discussed the tree removal proposal with them. The UFAP members agreed that other mitigation measures were not feasible and tree removal was necessary, taking into account their threat to public safety.

The tree risk assessments for the two banyan trees were checked and verified by several ISA Certified Arborists and qualified arborists with extensive experience. The assessment was undertaken according to established procedures in a professional and rigorous manner.

My reply to the questions raised by the Hon Hui Chi-fung is as follows:

(1) Since mid-2015, the LandsD has arranged qualified arborists of the tree

maintenance contractor to inspect and maintain the two banyan trees every six months, including pruning to reduce the weight of the canopy and removal of fungal infected parts. For other proposed maintenance works such as improving the quality of the soil around the basal area of the trees and enhancing the defence system of the trees, as the growth environment of the two banyan trees was undesirable, for instance, half of the root system was covered by footpath and road surfaces, and the other half was separated by the wall of Tang Chi Ngong Building, soil improvement would have a negligible effect in addressing the fundamental causes of tree deterioration. In addition, as the "self-repair" mechanism of the trees has failed and internal decay was observed in the old cut wounds of the two branches, the two trees showed irreversible health problems. Measures to strengthen the trees' defence system would have little effect.

Given that the footpath along Bonham Road is very narrow and the roots of the two banyan trees have already wrapped around the wall, reinforcing the structure of the walls is technically not feasible.

(2) The two banyan trees did not grow on stone retaining wall but have only wrapped around the adjacent wall. They are not considered as stonewall trees. This notwithstanding, the LandsD has closely monitored their health and structural stability since 2015, carrying out tree risk assessment every six months and implementing practicable measures to retain the trees, such as pruning to reduce the load and removing fungal fruiting bodies at the infected tree root .

(3) The Government reviews the system of outsourcing tree management works from time to time with a view to bringing in latest good practices. The LandsD's current tender evaluation process follows the established guidelines, which takes into account tenderers' past performance in previous public works projects as well as tender price. It is not based solely on lowest bidding. Furthermore, qualified tenderers must be listed in the Landscaping Category, Group II under the List of Approved Suppliers of Materials and Specialist Contractors for Public Works of the Development Bureau. In addition, all tree management departments must strictly comply with the Guidelines for Tree Risk Assessment and Management Arrangement to clearly stipulate the requirements for professional qualifications in arboriculture, training and related work experience in the contract. Only qualified personnel can be deployed to carry out relevant tasks in accordance with the requirements specified in the contract.

As mentioned above, the tree risk assessments for the two banyan trees were checked and verified by several ISA Certified Arborists and qualified arborists with extensive experience. The structure of the adjacent wall has been adversely affected by tree growth, showing deformations and multiple cracks. The wall has tilted towards Bonham Road, indicating high likelihood of collapse. In the event of heavy rain, the runoff may wash away the soil around the tree roots through the cracks on the wall, compromising base support and leading to tree and wall collapse. Tree failures are sudden, and it is not possible for passers-by and vehicles to escape in time. Therefore, when failing trees pose high risk to the public, removing them is necessary.



The decision to remove the two trees at Bonham Road is justified and professional in the interest of public safety.

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## LCQ2: Planning of facilities for the elderly and persons with disabilities

Following is a question by the Dr Hon Fernando Cheung and a reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (June 27):

Question:

Regarding the planning of facilities for the elderly and persons with disabilities (PWDs), will the Government inform this Council:

(1) Whether the planning of various types of facilities for the elderly and PWDs has been conducted under the "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030", which is expected to be promulgated within this year; if so, of the standards adopted, as well as the numbers of various types of facilities (including residential care places) needed to be provided in accordance with the planning results, and the floor areas they will occupy;

(2) As the Government indicated in October last year that it planned to reinstate "population-based planning ratios for elderly services" in the Hong Kong Planning Standards and Guidelines (HKPSG), of the progress of such work, the reasons for deleting such ratios in the past, the ratios and per capita space standards to be adopted in providing the various types of facilities, and how the new ratios and standards compare with the old ones; and

(3) Whether it has plans to include the planning ratios for services for PWDs in HKPSG; if so, of the timetable, and the ratios and per capita space standards to be adopted for the provision of various types of facilities; whether such ratios were included in the past; if so, of the reasons for the subsequent deletions, and how the new ratios and standards compare with the old ones?

Reply:

President,

My reply to the Member's question is as follows:

(1) According to information provided by the Development Bureau (DEVB), DEVB and the Planning Department (PlanD) completed the public engagement exercise for the "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending

2030" (Hong Kong 2030+) last year. They are now analysing the views received from the public, and planning to complete the relevant technical assessments within this year before finalising the latest territorial development strategy. The Hong Kong 2030+ study is a broad-brush assessment on the long-term land requirements of various uses including housing, economic as well as "Government, Institution and Community" (G/IC) facilities, and facilities for the elderly and persons with disabilities are among the G/IC category. To update the territorial development strategy for Hong Kong, DEVB and PlanD will discuss with the Labour and Welfare Bureau (LWB) and other relevant policy bureaux on how to incorporate additional land requirements arising from the latest policy measures concerning elderly and rehabilitation services as well as other areas in our future development strategies.

(2) The planning standards and guidelines on the facilities for the elderly are set out in Chapter 3, "Community Facilities", of the Hong Kong Planning Standards and Guidelines (HKPSG). In fact, the existing planning standards on the facilities for the elderly were amended in 2008. Prior to the amendment, the previous planning standards were 17 Care-and-Attention places for every 1 000 elderly persons aged 65 or above, one Day Care Centre for the Elderly per 17 000 elderly persons aged 65 or above, one Multi-service Centre for the Elderly (note 1) per 17 000 elderly persons and one Social Centre for the Elderly (note 2) per 2 000 elderly persons aged 65 or above.

According to the existing planning standards and guidelines in the HKPSG, in force since 2008, the number of District Elderly Community Centres (DECCs) and Neighbourhood Elderly Centres (NECs) as well as the number of places for Day Care Centres/Units for the Elderly in a district should not only be determined with reference to the size of the elderly population, but also factors such as the demographic characteristics, geographical environment and actual demand and supply of the services, etc. As regards the number of subsidised residential care places, the demand, resources and the availability of suitable premises should also be considered.

As set out in the Elderly Services Programme Plan (ESPP), the development of public elderly facilities takes considerable time (note 3). The ESPP therefore recommended the reinstatement of population-based planning ratios in the HKPSG to allow better forward planning of the relevant department(s) in reserving sites and premises.

According to the projections in the ESPP, the indicative planning ratios for subsidised long term care services in 2026 are 21.4 subsidised residential care places and 14.8 subsidised community care places per 1 000 elderly persons aged 65 or above. In addition, the ESPP recommended that there should be one DECC in each new residential area with a population reaching 170 000. Where appropriate, there should be one NEC in each new and redeveloped public rental housing estate and one in private housing areas with a population of 15 000 to 20 000 in new residential areas. The ESPP has also proposed that the planning ratios should be reviewed from time to time and where appropriate, be adjusted to reflect the changing demographic structure of the elderly population.

To follow up on the recommendations concerned, "The Chief Executive's

2017 Policy Agenda" sets out that the Government plans to reinstate the population-based planning ratios for elderly services in the HKPSG. LWB and the Social Welfare Department have commenced discussions with the DEVB and PlanD in this regard, including the drawing up of specific amendments to the HKPSG. After the HKPSG has been amended, we will review and update the relevant planning ratios at suitable junctures, to ensure that the planning of facilities could meet the service demand.

(3) To ensure relevance of the services for persons with disabilities, the Government has asked the Rehabilitation Advisory Committee (RAC) to formulate a new Hong Kong Rehabilitation Programme Plan (RPP). The RAC has commissioned the Hong Kong Polytechnic University (Consulting Team) to provide consultancy service and launched a public engagement exercise for the formulation of the new RPP. The RAC's consultation work for the Scoping Stage will be completed soon, and the RAC recommends the inclusion of planning of residential care and community support services in the scope of the current review. In view of the diverse service needs of persons with disabilities and the different requirements on services from persons with different disabilities, the Consulting Team will examine the parameters and basis for the planning of rehabilitation services and facilities. For instance, whether a population-based planning ratio should be set as in the case of the ESPP. The Consulting Team will consult stakeholders on the issues concerned in the next stage of consultation exercise. Depending on the progress of the consultation work, the RAC aims to submit a report on the new RPP to the Government by end-2019. The Government has not included any planning ratio for rehabilitation services in the HKPSG in the past.

Note 1: Multi-service Centre for the Elderly is now known as District Elderly Community Centre.

Note 2: Social Centre for the Elderly is now known as Neighbourhood Elderly Centre.

Note 3: Based on past experience, the development of a new elderly facility takes around 10 years from site identification to actual service provision.

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## **LCQ3: Maximum coverage for mortgage loans provided under Mortgage Insurance Programme**

Following is a question by the Hon Chan Chun-ying and a reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (June 27):

Question:

In February 2015, the Hong Kong Mortgage Corporation Limited tightened the arrangements under the Mortgage Insurance Programme (MIP) by reducing the maximum MIP coverage for eligible residential properties from 90% loan-to-value (LTV) ratio to 80 per cent LTV ratio, and suspending the acceptance of applications for mortgage loans exceeding 80 per cent LTV ratio. However, those first-time home buyers with regular income and stronger repayment ability are still eligible for MIP coverage of 90 per cent LTV ratio. Some members of the public have pointed out that in recent years, developers have calculated the maximum property price affordable to first-time home buyers on the basis of the maximum MIP coverage and the mortgage loan amounts generally approved by banks for first-time home buyers. For instance, when the per-square-foot price is \$10,000, a home buyer who can afford a property price of \$4 million will be able to buy a flat of 400 square feet; when the per-square-foot price rises to \$20,000, he can only buy a flat of 200 square feet. As the price per square foot of flats has been rising incessantly in recent years, the size of the residential flats built by developers according to the price affordable to buyers has become smaller and smaller. In this connection, will the Government inform this Council:

(1) of the number of residential mortgages covered by the MIP each year since the tightening of the arrangements under MIP and, among them, the number and percentage of such mortgages involving flats with saleable floor area less than 20 square metres; how such figures compare with the relevant figures for the two years immediately preceding the revisions;

(2) whether it has conducted studies on the correlation between the tightening of the arrangements under the MIP and the prevalence of nano residential flats; if so, of the details; if not, the reasons for that; and

(3) whether it will consider regulating nano flats, such as stipulating the minimum size of residential flats through administrative measures?

Reply:

President,

The Mortgage Insurance Programme (MIP) was launched by The Hong Kong Mortgage Corporation Limited (HKMC) in March 1999 to promote home ownership in Hong Kong. According to the guideline issued by the Hong Kong Monetary Authority (HKMA), banks have to comply with loan-to-value (LTV) requirement on owner-occupied residential mortgage lending. The MIP provides mortgage insurance to banks, thereby enabling banks to provide mortgage loans with higher LTV ratio without incurring additional credit risk. Under the MIP, banks are the mortgage loan providers. The mortgage insurance aims to protect participating banks from losses, in general, on the portion of the loan over the 60 per cent LTV threshold due to mortgage default by the borrowers. Therefore, in addition to promoting home ownership, the MIP also contributes to the maintenance of banking stability.

Having consulted the relevant bureaux, my reply to various parts of the question raised by the Hon Chan Chun-ying is as follows:

(1) The numbers of loans drawn down under the MIP of HKMC in the past few years were 4,925 for 2015, 7,145 for 2016 and 8,829 for 2017 respectively. The number of loans drawn down under the MIP for residential properties with a saleable area equal to or under 200 square feet accounts for a small percentage of the total number of loans drawn down. The corresponding numbers of loans drawn down in the past three years were 49 for 2015, 57 for 2016 and 164 for 2017 respectively, accounting for less than two per cent of the total number of loans drawn down. Please refer to Annex for details on the number and ratio of loans drawn down under the MIP in the past five years.

(2) The size of residential properties reflects changes in the supply and demand of the property market. As one of the financing tools, the MIP has no direct correlation with the size of residential properties.

(3) We need to strike a reasonable balance between housing production and average living floor area per person, as both the increase in housing production to address needs for accommodation and the increase in average living floor area per person to improve living standard would require additional land. In view of the imbalance in supply and demand for land and housing, and given the fact that property prices are soaring continuously, our current priority is accorded to increasing housing production to meet the basic accommodation needs of the public. Besides, as a pluralistic society, there are diverse aspirations in respect of flat size. In the longer run, we consider that when the land shortage situation is alleviated, our society will be in a better position to explore whether a standard on average living floor area per person should be set.

The Government has reminded the public repeatedly on different occasions that buying a property is not only one of the most important decisions in life, it is also a financial transaction entailing significant leverage through borrowing. They must be mindful of their ability to cope with the potential risk that may arise from possible changes in the economic and market conditions as well as mortgage interest rates and do not overstretch themselves. In particular, prospective buyers should ensure that they fully understand the detailed terms and conditions if they opt for the mortgage plans offered by property developers. While the incentives may look attractive in the short term, prospective buyers should take into account any changes that may occur in the future, assess carefully their repayment ability and make a shrewd and prudent decision.

The Government and the HKMA will continue to monitor the property and mortgage markets closely, and will adjust the relevant supervisory measures as and when necessary to ensure that banks are managing their risk properly.