

SFST speaks on reform of Financial Reporting Council

Following is the transcript of remarks by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, during a media session at the Legislative Council Complex this morning (June 9):

Reporter: Will the Government's Council weaken the power of HKICPA (Hong Kong Institute of Certified Public Accountants)? And the second question is why the announcement was made yesterday when there seemed to be insufficient consultation. How likely will it affect our economic freedom when the authority's monitoring power has decreased? Thank you.

Secretary for Financial Services and the Treasury: I think, in terms of consultation, and I will answer the second part of your question first, in fact the consultation has already started and we have engaged a few of the key accounting organisations here in Hong Kong to gauge their views on our proposals. So on that front, basically it is a continuous process. The next stage for us is really to present our proposals to LegCo panel, and also to have the primary legislation scrutinised by LegCo and potentially the subsidiary legislation to be scrutinised by LegCo next year. It's not really a matter of a few months, but a matter of this year and next year. This is number one. Number two, I think it is totally irrelevant to economic freedom as you highlighted. Because after all, as I set out at the outset, it is an international global trend in terms of having an independent regulation of the accounting profession, which is not really attached to the profession itself. It is an international trend which is well recognised. At the same time, it is not something that came out of the blue. If you look at the time when we introduced changes to the current regime of FRC (Financial Reporting Council) back in 2018 and 2019, we already set out clearly that it would be a gradual step-by-step process to reform the regulation. Right now, what we are doing is not a change in nature, but a change in the scope in terms of how this regulatory function is being performed.

Reporter: Sorry, Secretary, you have missed my first question. Will the Government's Council weaken the power of the HKICPA?

Secretary for Financial Services and the Treasury: It is not really a matter of weakening the power, but I would say that it allows the HKICPA to focus on the long-term development of the profession. On that, if you look at what the HKICPA has done for the profession over the past years, many of the achievements are well noted and it is also something that we well recognised. But if you put that against the backdrop of the global international trend of having an independent regulation of the accounting profession, that's why we come up with these new proposals. And as I said, it is not something totally new because back in two years ago, we already set out that a phase-by-phase approach would be adopted.

(Please also refer to the Chinese portion of the transcript.)

LCQ16: Implementation of summer time

Following is a question by the Hon Paul Tse and a written reply by the Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, in the Legislative Council today (June 9):

Question:

Summer time was implemented in Hong Kong on certain days in the summers of 1941, 1946 to 1976 and 1979, during which the clock was set forward by one hour. Some members of the public have suggested that summer time be implemented again in Hong Kong to encourage members of the public to go to bed early and rise early, thereby making optimal use of daylight and reducing the use of lighting facilities. They have pointed out that the implementation of summer time may induce members of the public to take advantage of the cooler time in the early morning for getting to work or going to school; besides, the longer duration between the time when members of the public get off work and sunset will facilitate them to conduct outdoor activities after work, which is conducive to increasing the customer flow for the retail outlets and eateries at night, thereby fuelling the early recovery of the economy from the epidemic. In this connection, will the Government inform this Council:

(1) given that the economy of Hong Kong has been hit consecutively by acts of serious violence and the coronavirus disease 2019 epidemic in recent years, and that under the impact of global warming, Hong Kong recorded last month the highest temperature in May since 1963, whether the Government will explore from the perspectives of energy-saving, optimal use of daylight, facilitating economic recovery, etc. to see if it is now more imperative for Hong Kong to implement summer time as compared to the situation in 1979 or before;

(2) whether it will estimate the amount of energy to be saved and the benefits to be brought to the overall economy of Hong Kong by the implementation of summer time; and

(3) if it will conduct a public consultation on whether the implementation of summer time can cater better to the daily living, travelling as well as work and rest of members of the public and to the operation of commercial organisations?

Reply:

President,

The summer time arrangement is generally a practice of setting the clock forward by one hour to take advantage of the natural phenomenon of the sun rising earlier in summer. It is usually implemented in regions at higher latitudes where the differences in the duration of daylight between winter and summer are more noticeable. As Hong Kong is located in a region of low latitude, there is no significant variation in its duration of daytime between winter and summer. Also, there is not much change in the temperature before and after sunrises (i.e. from 5am to 8am) in Hong Kong.

In response to the Hon Paul Tse's questions, the reply is as follows:

The implementation of summer time system has a far-reaching impact on all walks of life and should be considered in a holistic manner.

With respect to the use of energy, as people generally get to work and go to school during daytime, setting the clock forward by one hour cannot significantly reduce energy consumption in indoor lighting and air-conditioning. Besides, working hours will not be shortened in spite of the implementation of summer time. The impact on building energy consumption will accordingly not be significant.

In terms of economic implications, the implementation of summer time will lead to a time gap between the Mainland and Hong Kong in part of the year, which will not be conducive to the economic and trade exchanges between the two places. As for local business and trade activities, there is so far no specific assessment on the impact of summer time on the industrial and trade sectors in Hong Kong. Overall speaking, introducing summer time may not necessarily benefit the economic development of Hong Kong.

Under a summer time system, members of the public have to adjust to time change at least twice a year. This will require corresponding adjustments to their lifestyle and daily routine. These will involve social costs but will not bring clear benefits to society.

The implementation of summer time will affect the operations of every sector in society and should be considered carefully. Given that there is currently no evidence to show that introducing summer time will bring clear benefits to Hong Kong, the Government has no intention of conducting public consultation on the matter.

LCQ12: Treatment for persons in custody suffering from hepatitis C

Following is a question by Dr the Hon Pierre Chan and a written reply by

the Secretary for Security, Mr John Lee, in the Legislative Council today (June 9):

Question:

On the treatment for persons in custody (PICs) suffering from hepatitis C provided by the Medical Officers seconded from the Department of Health to correctional institutions, will the Government inform this Council:

- (1) of the current number of the PICs diagnosed with hepatitis C;
- (2) of the number of the PICs who received treatment for hepatitis C in each of the past five years, and whether they were prescribed with medications for treating hepatitis C; and
- (3) whether any PICs suffering from hepatitis C were referred to the hepatology specialist outpatient clinics under the Hospital Authority for treatment in the past five years; if so, of the number of persons in each year?

Reply:

President,

The Correctional Services Department (CSD) is committed to providing a secure, safe, humane, decent and healthy custodial environment for persons in custody (PICs), including ensuring that all PICs can receive necessary and appropriate medical services in accordance with the Prison Rules (Cap. 234A).

Based on the information provided by the CSD and the Food and Health Bureau, the consolidated reply to the questions raised by the Member is as follows:

Every correctional institution under the CSD has a hospital or sick bay operating 24 hours a day, where medical officers from the Department of Health (DH) and correctional officers with nursing qualifications provide basic medical services. PICs who require specialist treatment, intensive care or surgery will receive treatment in public hospitals. Moreover, medical specialists from the Hospital Authority (HA) and the DH visit correctional institutions on a regular basis to provide the PICs with specialist consultation and treatment.

Generally speaking, the CSD does not maintain statistics on the numbers of the PICs suffering from different kinds of diseases, including hepatitis C.

The HA and the CSD do not maintain statistics on the number of the PICs with hepatitis C who have been referred to hepatology specialist out-patient clinics under the HA for treatment.

As for treatment of hepatitis C patients in general, the HA has expanded

the Drug Formulary since October 2020 to make full use of oral direct-acting antiviral (DAA) medicines for treatment of hepatitis C patients regardless of the severity of patients' condition. With DAA medicines, the cure rate is as high as 95 per cent to 100 per cent, which is higher than that of the conventional combination of interferon and ribavirin used previously. The treatment period has also been shortened from over a year to eight to 12 weeks.

LCQ9: Biotechnology and healthcare technology

Following is a question by the Hon Martin Liao and a written reply by the Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (June 9):

Question:

There are views that following the constant breakthroughs in life science research and with the increasing pressure on the healthcare system created by an ageing population, coupled with the challenges brought by the Coronavirus Disease 2019 epidemic, various places around the world are paying increasing attention to the development of biotechnology. The biotechnology industry is among the nine emerging strategic industries put forward in the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035, which also pledges support for developing the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) into an international innovation and technology hub. Besides, Hong Kong has a strong foundation for developing biotechnology. At present, Hong Kong hosts more than 250 companies which engage in the biotechnology industry, and various tertiary institutions participate in cutting-edge biomedical research. In addition, Hong Kong has a sound regime for the protection of intellectual property rights and sound financing channels. With the Hong Kong Exchanges and Clearing Limited allowing pre-revenue biotechnology enterprises to raise fund through listing on the Main Board since 2018, Hong Kong has now become Asia's largest and the world's second largest funding hub for biotechnology. In this connection, will the Government inform this Council:

(1) given that the biotechnology industry, being a strategic industry, can hardly develop by itself relying solely on the market, whether the Government will, by drawing reference from the rich experience of Switzerland and Singapore, formulate a development blueprint for the biotechnology industry; if so, of the details and timetable;

(2) given that the Government has established at the Hong Kong Science Park

Health@InnoHK, a research cluster focusing on healthcare technology, to attract world renowned institutions, science and research institutes and enterprises to set up research and development laboratories to conduct collaborative scientific researches, of the respective up-to-date numbers of admission applications received and approved by the Government, and the situation of applicants being successfully admitted to the cluster; whether there are cases of withdrawn applications or declined admission to the cluster after applications have been approved; if so, of the number and reasons;

(3) as it is learnt that the Mainland authorities have banned the import and export of bio bank and medical data, whether the Government will explore with the Governments of the Guangdong Province and Macao on relaxing the restrictions in relation to the relevant policies (including those on intellectual property rights), so as to promote the development of the biotechnology industry in the Greater Bay Area; if so, of the details; if not, the reasons for that; and

(4) given that the Work Plan for Regulatory Innovation and Development of Pharmaceutical and Medical Device in the Guangdong-Hong Kong-Macao Greater Bay Area, issued by the Mainland Government in November last year, put forward the aspiration of establishing a comprehensive coordination mechanism for regulating pharmaceutical and medical devices in the Greater Bay Area by 2035, of the policies and measures put in place by the Government in support of the relevant work?

Reply:

President,

Medical technology is one of the areas where Hong Kong enjoys clear advantages in innovation and technology (I&T). The Government has all along been fostering the relevant research and development (R&D) on various fronts. Hong Kong has a solid foundation in biotechnology research and an ecosystem that is gradually improving. Currently, we are also Asia's largest and the world's second largest fundraising hub for biotechnology companies, and the first in the world of which clinical data is recognised by international authoritative medicine regulatory authorities for medicine registration, including the National Medical Products Administration, the United States Food and Drug Administration, and the European Medicines Agency at the same time.

Having consulted the Food and Health Bureau and the Commerce and Economic Development Bureau, my consolidated reply to various parts of the question is as follows:

(1) In order to further promote the R&D on biotechnology and the development of the industry, the Government has been implementing the following major measures in terms of infrastructure, research funding, financing and talent in recent years:

In terms of infrastructure, wet laboratories (wet-labs) are

indispensable to biomedical research. Currently, the leasable area of wet-labs in the Hong Kong Science Park (HKSP) amounts to 59 000 square metres, and will increase to about 68 000 square metres after the completion of the conversion works of Building 6W to wet-labs by the end of this year. The first batch of works of Phase 2 of the Science Park Expansion Programme will provide an additional wet-lab area of 10 000 square metres. On the other hand, the Biobank and Biomedical Informatics Platform in HKSP, which was commissioned in December 2020, provides services for collecting, processing, storage and sharing of bio-specimens, as well as cloud storage service of biomedical data and computing and analytical services using sandbox respectively. The Hong Kong Science and Technology Parks Corporation (HKSTPC) is also planning the development of the laboratory research facilities for medical device testing, drug testing, and animal research, etc.; and the Biomedical Technology Support Centre, which is equipped with life-science instruments, will be expanded within this year with the total area increased by 70 per cent to about 2 040 square metres. Furthermore, one of the first two InnoHK research clusters, which are Hong Kong's flagship I&T projects, focuses on healthcare technologies with a view to leveraging local universities' R&D strengths in healthcare technologies to develop Hong Kong as the international hub for research collaboration in healthcare technologies. In the medium to long term, the Government is taking forward the development of the Hong Kong-Shenzhen Innovation and Technology Park (HSITP) in the Lok Ma Chau Loop in full swing. The first eight buildings are expected to be completed in phases from 2024 to 2027. One of the priority development areas of HSITP will be healthcare technologies.

In terms of research funding, the Incu-Bio Incubation Programme of HKSTPC provides funding of up to \$4 million to incubatees engaging in biotechnology. In view of the relatively complex regulatory procedures involved in biotechnology researches, the incubation programme also offers a targeted funding of up to \$2 million to incubatees for certification or investigational new drug applications, etc. As at end-April, the Programme has supported 41 start-ups, with more than \$55 million approved by HKSTPC. On the other hand, the Innovation and Technology Fund has supported more than 630 projects on biotechnology technologies over the years, including many of its first in the world, such as artificial "mini-hearts", internally motorised minimally invasive robot surgeon, non-invasive prenatal diagnostic technique, etc. The research results of some projects have been commercialised successfully, where some start-ups have even developed into unicorns, making great contributions to global scientific research.

In terms of financing, Hong Kong has implemented a new listing regime since end-April 2018 to facilitate the listing of pre-revenue/pre-profit biotechnology companies in Hong Kong. A total of 31 pre-revenue / pre-profit biotechnology companies have listed in Hong Kong under the new regime so far. The Corporate Venture Fund of HKSTPC has also invested in biotechnological start-ups engaging in drug delivery, stem cell technology and cancer treatment research, etc.

In terms of talent, Hong Kong has many world-class experts in biomedical research who frequently won local and overseas science awards in their

respective professional areas. Their research results were also widely adopted in many countries. Among the 16 State Key Laboratories in Hong Kong, nine of them focus on biotechnology-related studies. In addition, the Innovation and Technology Commission launched the Technology Talent Admission Scheme (TechTAS) in June 2018, which provides a fast-track arrangement to admit technology talent. As of end-April 2021, TechTAS has allotted 558 quotas, of which 58 are related to biotechnology; and more than 1 400 applications for funding support related to biotechnology were approved in the same period under the Research Talent Hub which provides funding support for organisations and companies to engage research talent to conduct R&D work.

(2) The InnoHK research cluster initiative has received enthusiastic response, with over 60 proposals from world renowned universities and research institutes and 27 selected, including 15 R&D centres that focus on biomedical technology. The first batch of 20 admitted R&D centres have completed the renovation of their laboratories and commenced operation progressively. It is estimated that the remaining seven R&D centres will commence operation later this year. We will closely monitor the relevant progress.

(3) The National 14th Five-Year Plan announced this March includes biotechnology industry as one of the nine major emerging strategic industries, and meanwhile proposes high-quality development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and facilitation of the cross-boundary flow of innovation elements. It also supports Hong Kong's development into an international I&T hub and integration into national development, leveraging the complementary advantages with Mainland.

The Government will continue to facilitate the effective flow of innovation elements, including scientific research resources. The Central Government announced in November 2019 two facilitation measures, namely (i) relaxing the limitation on exporting Mainland human genetic resources to Hong Kong by allowing Mainland branches established by Hong Kong's universities and scientific research institutes, upon being confirmed by the Ministry of Science and Technology (MOST) to be meeting the specified requirements, to lodge applications for exporting human genetic resources to Hong Kong independently under a pilot scheme for research purpose, and (ii) facilitating customs clearance of imported animal-derived biomaterials by simplifying the vetting process and shortening the processing time in accordance with the relevant laws and regulations, thereby making it easier for Hong Kong's universities and scientific research institutes to conduct animal experiments in the Mainland. On relaxing the limitation on exporting Mainland human genetic resources to Hong Kong, three Mainland branches established by Hong Kong's universities have been confirmed by MOST to be meeting the specified requirements under the pilot scheme so far.

In terms of intellectual property, generally speaking, intellectual property protection is territorial in nature, different jurisdictions process intellectual property registration applications based on their respective intellectual property system and laws. As the Mainland is a significant

market for output of scientific research in Hong Kong, the Government has been exploring facilitation measures with the relevant Mainland authorities to provide convenience for enterprises and research institutes in Hong Kong and the Mainland (especially in the GBA) when applying for intellectual property registration. For instance, the original grant patent system of Hong Kong allows patent applicants to file applications for inventions involving use of micro-organisms based on samples of micro-organisms deposited in international depository authorities or equivalent institutions which are situated in the Mainland, without the need to transport the samples to Hong Kong.

The Government will continue to pay close attention to the difficulties encountered by the biotechnology industry in the GBA, and explore with related Mainland authorities the possibility of relevant measures to facilitate the development of related industries in the GBA.

(4) The Government has been maintaining close liaison with the relevant Mainland authorities to discuss the implementation of the measure of allowing designated healthcare institutions operating in the GBA to use Hong Kong-registered drugs with urgent clinical use and medical devices used in Hong Kong public hospitals (the Measure), at the University of Hong Kong-Shenzhen Hospital (HKU-SZH) on a trial basis, subject to the approval of Guangdong Province. Our latest work include establishing a collaborative platform and compiling a directory of drugs and medical devices that can be used in designated healthcare institutions in the GBA, etc. The Guangdong Provincial Medical Products Administration (GDMPA) has commenced the Measure to use the relevant drugs and medical devices at the HKU-SZH on a trial basis, with a trial period up till July 31 this year. Under the Measure, the first drug item and first medical device have already been delivered to the HKU-SZH in April this year for clinical use.

The Government will continue to work and liaise with the GDMPA with a view to expanding the directory of drugs and medical devices as soon as possible, and extending the arrangement gradually to cover more designated healthcare institutions in the GBA after achieving phased progress under the trial arrangement at the HKU-SZH. We hope to provide greater medical convenience for Hong Kong residents working and living in the GBA, to foster mutual benefits, connectivity and in-depth integration of the medical and pharmaceutical industries in the GBA, as well as to promote a comprehensive coordination mechanism for regulating pharmaceutical and medical devices in the region.

LCQ17: Transfer of under-occupation

public rental housing households

Following is a question by the Hon Tony TSE and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 9):

Question:

At present, the Hong Kong Housing Authority (HA) allocates public rental housing (PRH) units based on the standard of an internal floor area (living floor area) of not less than 7 square metres per person on average. It is learnt that in recent years, the numbers of occupants in quite a number of PRH units have decreased continuously due to the family members of the households concerned moving out or passing away, resulting in a continued increase in the average per-person living floor area of PRH units (which has risen to 13.4 sq m as at the end of March this year). Furthermore, the HA classifies those PRH households with a living floor area exceeding a specified level (depending on the household size) as "Under-occupation households" (U0 households) and those PRH households with a living floor area exceeding an even higher level (excluding those households with family members who are disabled or have reached the age of 60) as "Prioritized under-occupation households" (PU0 households). In this connection, will the Government inform this Council:

(1) of the following statistics on (a) U0 households and (b) PU0 households respectively in each of the past five years:

- (i) the number of households (with a breakdown by household size),
- (ii) the total living floor area beyond the standard and the number of persons that can be accommodated in such an area, calculated on the basis of 7 sq m per person,
- (iii) the living floor area beyond the standard per household on average, and
- (iv) the average number of years for which such households have been classified as U0/PU0 households;

(2) of the details of the existing policies on the transfer of U0 and PU0 households, including:

- (i) the specific transfer arrangements,
- (ii) the incentives for transfer provided,
- (iii) the consequences for the households' refusal to transfer (if any),
- (iv) the implementation situation of the policies in the past five years, and
- (v) the main reasons for some households' refusal to transfer;

(3) given that the HA launched a trial scheme in 2019 to allow U0 households whose members are all aged 70 or above (U070+ households) to enjoy lifetime full rent exemption upon their transfer, as well as regularized the scheme and relaxed the application restrictions at the end of last year, of the latest implementation situation and effectiveness of the scheme; and

(4) whether, in order to optimize the use of the existing PRH resources and

hence expedite the allocation of PRH units to PRH applicants, the Government will consider enhancing the existing policies on and measures for the transfer of U0, PU0 and U070+ households; if so, whether the measures under consideration will include:

- (i) adjusting the definitions of the three types of households, so that more households may enjoy priority or preferential arrangements when they transfer,
- (ii) boosting the incentives for transfer, such as providing a removal allowance of a higher amount and rental concessions to eligible households,
- (iii) raising the penalties that can be imposed on PU0 households for refusal to transfer without reasonable grounds, and
- (iv) removing the locality restrictions on transfer, etc. so that more households will accept transfer offers and will accept transfer offers earlier?

Reply:

President,

My reply to the question raised by the Hon Tony TSE is as follows:

(1) and (2) Under the prevailing policy of the Hong Kong Housing Authority (HA), public rental housing (PRH) units will be allocated based on household size according to the established allocation standards. As a result of some family members moving out of the flat or have passed away, the living space of the remaining members of a PRH household may exceed the established allocation standards. Under the existing tenancy agreement, these under-occupation (U0) households have to move to a PRH unit of an appropriate size as determined by the HA.

The HA has adopted a phased approach to handle U0 cases in PRH with priorities given to Prioritised Under-occupation (PU0) households, i.e. households living in units with an internal floor area (IFA) exceeding the prescribed thresholds and without disabled members or elderly members aged 60 or above. Non-PU0 households (Note) are placed at the end of the U0 list and accorded with lower handling priority. U0 households with elderly members aged 70 or above or disabled members are excluded from the U0 list and are not required to move out of their flats. The current U0 standards and PU0 thresholds are set out at Table 1 in Annex.

In the past five years, the statistics of HA's PRH U0 households and PU0 households are set out at Table 2 and Table 3 in Annex respectively. The HA does not maintain a central record of other statistical data requested in the question.

In respect of transfer arrangements, in general a maximum of three housing offers will be made to all HA's PRH U0 households and they will be offered Domestic Removal Allowance (DRA). Subject to the availability of resources, they may be offered the opportunity to transfer to units in newly-completed estates. In respect of PU0 households, the HA will allow a standard stayput period of one year on grounds of decease of family member. The HA

will adopt a reasonable and considerate approach based on individual situation when considering the stayput request of PU0 households who are waiting for family reunion. Additional incentive in the form of rent waiver up to three months will also be provided to PU0 households.

There were cases in the past where PU0 households refused to move out. The reasons which they put forward included requesting the allocation of larger units and specific estates, reluctance to move out due to familiarity with the present living environment, traffic inconvenience in the allocated estates, etc. Notices-to-Quit will be issued by the HA to terminate the tenancies of PU0 households who refuse all housing offers without justified reasons.

In the past five years, the HA resolved an average of about 2 200 PU0 cases each year, while the number of new cases accorded with priority was about 2 100 each year.

(3) In December 2019, the HA launched the Trial Scheme on Full Rent Exemption for Elderly Under-occupation Households (the Scheme), whereby U0 households with all family members aged 70 or above are allowed to enjoy full rent exemption for life upon their transfer to suitably-sized units. Eligible households will be given a maximum of three housing offers of new or refurbished units in the residing estate or an estate in the same District Council (DC) district. They will also be provided with DRA.

The Scheme can effectively make use of existing public housing resources to increase the supply of larger units for households of larger family size who are awaiting PRH allocation. In view of the favourable response, the HA regularised the Scheme in December 2020; extended its coverage to elderly households with family members all aged 70 or above living in Housing for Senior Citizens of Type I Design and non-self-contained Converted-One-Person units; and widened the district choice from the same DC district to the same PRH Application District (i.e. Urban, Extended Urban (including Tung Chung), New Territories and Islands (excluding Tung Chung)).

Up to end-April 2021, the HA has approved about 340 applications under the Scheme. Among them, 72 households have accepted allocation.

(4) In December 2020, the HA conducted a review of the U0 Policy. Considering the increasing demand for PRH and the limited supply of units to be allocated to U0 households, the HA decided to continue the existing classification and standards of U0 households, as well as the arrangements of priority for action and other incentives. The HA will conduct a review of the U0 Policy and the Scheme in 2023 in one go.

Note: Non-PU0 households include U0 households with living space not exceeding the PU0 thresholds and U0 households with elderly members aged 60 or above but below 70.