

立法會
Legislative Council

LC Paper No. FC123/08-09
(These minutes have been seen
by the Administration)

Ref : CB1/F/1/2

Finance Committee of the Legislative Council

**Minutes of the 6th meeting
held at the Legislative Council Chamber
on Friday, 12 December 2008, at 11:30 am**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat

Dr Hon Joseph LEE Kok-long, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Hon Tanya CHAN
Dr Hon Priscilla LEUNG Mei-fun
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon WONG Yuk-man
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP

Members absent:

Hon CHAN Kam-lam, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon CHIM Pui-chung
Hon Starry LEE Wai-king
Dr Hon LEUNG Ka-lau

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Bernadette LINN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1

Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Paul TANG Kwok-wai, JP	Permanent Secretary for Labour and Welfare
Ms Carol YIP Man-kuen, JP	Deputy Secretary for Labour and Welfare (Welfare) 2
Miss Nancy LAW, JP	Deputy Director of Social Welfare (Administration)
Mr NG Wai-kuen	Chief Social Security Officer (Social Security)1, Social Welfare Department
Mr Kenneth NG	Senior Statistician, Social Welfare Department
Professor Gabriel M LEUNG, JP	Under Secretary for Food and Health
Miss Gloria LO	Principal Assistant Secretary for Food and Health (Health)2
Dr W L CHEUNG, JP	Director (Cluster Services), Hospital Authority
Dr Beatrice CHENG	Chief Manager (Cluster Performance), Hospital Authority
Ms Ivis CHUNG	Chief Manager (Allied Health), Hospital Authority (Deputising)
Miss Ida LEE	Acting Deputy Secretary for Commerce and Economic Development (Communications and Technology)
Mr Gordon LEUNG, JP	Deputy Commissioner for Innovation and Technology
Mr Nicholas YANG	Chief Executive Officer, Hong Kong Cyberport Management Company Limited
Mr David CHUNG	Head of Information Technology Operations, Hong Kong Cyberport Management Company Limited
Miss Yvonne CHOI, JP	Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism)
Mr Joseph LAI, JP	Director-General of Trade and Industry
Miss Belinda KWAN	Assistant Director-General of Trade and Industry (Industries Support)

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
------------------	-------------------------------

Staff in attendance:

Ms Anita SIT	Chief Council Secretary (1)4
Mr Simon CHEUNG	Senior Council Secretary (1)5
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Action

Item No. 1 - FCR(2008-09)48

**RECOMMENDATION OF THE ESTABLISHMENT SUBCOMMITTEE
MADE ON 26 NOVEMBER 2008**

Mr CHEUNG Man-kwong said that as he had stated at the Establishment Subcommittee (ESC) meeting on 5 December 2008, the Democratic Party had strong reservations on the Administration's plan to create 24 directorate posts in 2008-2009. He recalled that in 2007-2008 when Hong Kong's economy was good, only four directorate posts had been created. He opined that at times of economic downturn, the Administration should endeavour to absorb additional workload through internal redeployment and job re-engineering to achieve the best use of existing manpower resources. He urged the Administration to critically review the need for creating the 24 directorate posts.

2. Dr Margaret NG observed that there was a tendency for the Administration to seek to create a directorate post for each new project. She was concerned that in the absence of an overall coordination plan among bureaux/departments on the availability of spare manpower, the existing manpower resources were not put to the best use. As a result, workload arising from new tasks would only be passed to a new team to be formed instead of sharing the extra work among different units. She pointed out that as individual Panels were briefed on the directorate posts for implementation of policies within the purview of these Panels, Panel members could only support the staffing proposals without the benefit of having an overall picture of the Administration's manpower situation.

3. Mr Albert CHAN said that while there were already dedicated staff in the regional office of relevant departments overseeing the 10 major infrastructure projects, the Administration still proposed to create a new directorate post for each new project at the Bureau level. He opined that the Administration should first consider deploying experienced staff from the relevant departments to absorb the additional workload arising from new projects, or consider setting up a joint office to oversee the implementation of the major infrastructure projects, as in the case of the Airport Core Programme in the 1990s.

4. Mr Ronny TONG said that it was difficult for the general public to accept the creation of 24 directorate posts within one year. He was concerned that once created, a directorate post would be retained for a long time regardless of changes in service needs. In this regard, he requested the Administration to provide the number of directorate posts deleted in the past 10 years.

5. Mr Tommy CHEUNG said that the Liberal Party had reservations about the Administration's plan to create 24 directorate posts in 2008-2009. He urged the Administration make endeavours to contain the civil service establishment. He added that Members belonging to the Liberal Party would scrutinize each future proposal vigilantly.

6. Mr IP Kwok-him said that most of the directorate posts planned to be created in 2008-2009 were time-limited posts to take forward the major infrastructure projects. While he found the posts worth supporting, he would be cautious in examining the merits of each proposal.

7. Mr Abraham SHEK expressed support for the Administration's proposal to create a supernumerary directorate post for the cruise terminal project. He also supported the creation of other directorate posts in 2008-2009 to take forward the various major infrastructure projects, which was in line with the Administration's efforts to boost the local economy at this time of the economic downturn.

8. Mrs Regina IP believed that there were genuine needs for retaining the supernumerary directorate post in the Tourism Commission (item EC(2008-09)11) to oversee the implementation of the cruise terminal project. She acknowledged that due to rising public expectations, workload of the directorate officers in the civil service had substantially increased, as far more time and resources were required nowadays to conduct extensive and in-depth consultations with relevant parties and stakeholders to pave way for the smooth implementation of new policies and projects.

9. Mr KAM Nai-wai recalled that the Administration had sought a significant amount of public funds for the appointment of a large number of Under Secretaries and Political Assistants not long ago. These officials should be able to absorb additional workload arising from public consultations. Citing the recent discussion at the Panel on Development on a proposal to create a directorate post to take forward the Liantang/Heung Yuen Wai Boundary Control Point project, he commented that the Administration had yet to convince members that there was effective coordination among different bureaux and departments to ensure effective utilization of existing manpower resources.

10. Mr LEUNG Yiu-chung said that he did not agree the increase in directorate staff would necessarily enhance the Administration's consultation and communication work. His personal experience in the recent taxi fiasco was that it was difficult to reach high-ranking officials in an emergency situation. He suggested that the

Administration should let members have the emergency contact telephone numbers of the bureau secretaries and other senior officials.

11. Mr James TO said that while he concurred that more consultation work was required of the Administration nowadays, he did not consider this a strong justification for creation of new directorate posts because a number of Under Secretaries and Political Assistants had already been appointed, and their main functions were to look after political issues and consultation and communication with concerned parties and stakeholders. He considered that the Financial Services and the Treasury Bureau and the Civil Service Bureau should perform a gatekeeper role by carefully examining each and every staffing proposal from a service-wide angle.

12. The Permanent Secretary for Financial Services and the Treasury (Treasury) explained that posts could be created or deleted under the existing mechanism. All supernumerary posts were time-limited and would lapse unless a fresh proposal for extension was put up and approved by the Finance Committee (FC) where necessary. As for permanent posts, the Administration would conduct regular reviews to ensure best utilisation of existing manpower resources. Only when there were new functional needs, which could not be met by deployment of existing staff, would the Administration seek to create new posts, and such posts would be deleted or redeployed when the relevant functional needs had ceased. He clarified that the Administration's paper presented for the meeting of ESC on 5 December 2008 was only a projection that 24 directorate posts (i.e. eight permanent and 16 supernumerary posts) would likely to be created in 2008-2009. The detailed justifications for each post would be set out in relevant proposals which would be presented to the respective Panels and ESC for consideration, before they were submitted to FC for approval. The Administration would take into account members' views expressed at the ESC meeting on 5 December 2008 and at this FC meeting when finalising these staffing proposals.

13. The Chairman referred to the previous undertaking by the Administration in 2003 that it would exercise vigilant control over the growth of civil service establishment, and that the creation of one new directorate post would have to be offset by one existing directorate post. She remarked that the Administration should exercise due vigilance in examining the need for new directorate posts. She requested that the Administration should provide the information on changes in directorate establishment in the past 10 years as requested by members.

(Post-meeting note: The Administration has subsequently provided information on the changes in the directorate establishment during the period from 1998-1999 to 2008-2009, which was issued to members vide FC69/08-09(01) on 18 February 2009.)

14. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 2 - FCR(2008-09)49

HEAD 170 – SOCIAL WELFARE DEPARTMENT

- **Subhead 179 Comprehensive social security assistance scheme**
- **Subhead 180 Social security allowance scheme**

Old Age Allowance and Disability Allowance

15. Mr WONG Kwok-hing expressed support for the Administration's proposal. He enquired about the implementation date of the revised rates of Old Age Allowance (OAA) and the progress of the review on the permissible limit of absence from Hong Kong of OAA recipients. He also expressed concern about the eligibility criteria for Disability Allowance (DA) which stipulated that only those who were suffering from 100% disability were eligible for the allowance.

16. Mr Albert CHAN expressed similar concerns and commented that the discussions on relaxing the permissible limit of absence from Hong Kong of OAA recipients and the requirement of 100% disability for DA had dragged on for a long period of time. He urged the Administration to complete the reviews and announce the findings as soon as possible.

17. The Deputy Director of Social Welfare (Administration) (DDSW(A)) advised that the revised rates of OAA would take effect from 1 January 2009. The Permanent Secretary for Labour and Welfare (PSLW) added that the review on permissible limit of absence from Hong Kong of OAA recipients was expected to be completed in the first quarter of 2009. As regards DA, the Administration was awaiting the results of the direct investigation on DA by the Ombudsman before deciding the way forward. The Panel on Welfare Services (WS Panel) would be briefed on both OAA and DA in due course. Mr WONG Kwok-hing requested to put on record his view that the Administration should aim to complete a review on DA as soon as possible.

18. Dr Priscilla LEUNG welcomed the Administration's decision to release the revised OAA to the elderly before the Chinese New Year. She said that due to the difference in the costs of living between Hong Kong and the Mainland, more and more of the elderly in Hong Kong had chosen to live in the Mainland. The Administration should strive to put in place new administrative measures best matching the changing needs of these elderly. For instance, the length of permissible limit of absence from Hong Kong of OAA recipients should be further extended. DDSW(A) said that over the years, the Administration had taken steps to relax the permissible limit of absence from Hong Kong of OAA recipients from the original 56 days per year to 90 days, 180 days and eventually the present 240 days. Given that the OAA was meant for Hong Kong residents, she believed that the existing requirement in this respect was already quite lenient.

Comprehensive Social Security Assistance

19. Mr WONG Sing-chi said that the Democratic Party supported the Administration's proposal, but he believed that the rate of adjustment of the Comprehensive Social Security Assistance (CSSA) fell short of the actual needs of the recipients. In this regard, he asked when the Administration would complete the review on CSSA and whether the Administration had decided to take into account internet charges and expenses on spectacles in calculating new rates of CSSA. Mr LEE Cheuk-yan expressed similar concerns. In response, PSLW said that the Administration could look into the aspect of Internet access charges when conducting the 2009-10 round of the Household Expenditure Survey on CSSA Households.

20. Ms Cyd HO said that as a result of rapid IT development, personal computers and access to the internet had become basic needs of every student. Instead of taking up the matter in the context of the comprehensive review on CSSA which might take a long time, the Administration should consider revising the coverage of the school-related expenses under CSSA to accommodate internet charges of students from CSSA families. Such a move to address the basic need of those students was justified and was in line with the Administration's efforts in promoting the use of "electronic textbooks".

21. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 3 - FCR(2008-09)50

**HEAD 140 – GOVERNMENT SECRETARIAT: FOOD AND HEALTH
BUREAU (HEALTH BRANCH)**

- **Subhead 700 General non-recurrent**
New Item "Grant to the Samaritan Fund"

Inclusion of new drugs to the subsidy list of the Samaritan Fund

22. While expressing support for the Administration's funding proposal, Mr LEE Cheuk-yan opined that in order to relieve the hardship of the patients with financial problems, the Administration should be flexible in adding new drugs to the safety net provided by the Samaritan Fund (the Fund). To simplify the arrangement, he suggested that all drugs prescribed by doctors of public hospitals/clinics but not on the Hospital Authority (HA) Drug Formulary should be automatically included in the subsidy list of the Fund.

23. The Under Secretary for Food and Health (USFH) explained that the present proposal seeking the provision of HK\$1 billion aimed at maintaining the continued operation of the Fund up to 2013. Under the existing policy, the Fund provided financial assistance to needy patients who could not meet the expenses of expensive drugs and non-drug items not covered by standard fees and charges in public

hospitals/clinics. He clarified that each year, new drugs would be added to the subsidy list of the Fund following a stringent study of their clinical effects, safety, marginal benefits and the actual needs in Hong Kong by an expert committee under the Fund. In this study process, consideration would also be given to the availability of substitute medicines with same or similar clinical effects. Recommendations of the committee would be brought to the Medical Services Development Committee of HA for a further scrutiny prior to their submission to HA Board for approval. As a matter of fact, two new oncology drugs and two new rheumatology drugs had been introduced to the Fund in 2007-2008. In 2008-2009, one more oncology drug had been introduced to the Fund. He further advised that from time to time, some drugs on the Fund's drug list would be moved to HA Drug Formulary.

24. The Director (Cluster Services) (D(CS)) of HA said that over the years, HA had been pursuing a policy of high subsidies and low charges and the guiding belief was that no one would be denied adequate medical treatment due to lack of means. At present, there were some 1 300 drugs on HA Drug Formulary, which should be sufficient for meeting the clinical needs of patients. Self financed items prescribed by HA doctors, which might or might not be covered by the Fund, were meant to provide patients with more choices. Those drugs including drugs that had proven to be of certain significant benefits to patients but were extremely expensive for HA to provide as part of its subsidized service, would be covered by a safety net mechanism. Drugs that might only have preliminary medical evidence or marginal benefits or were for meeting the needs of individual life style would have to be financed by patients.

25. Mr LEE Cheuk-yan remained unconvinced and criticized that the existing process for inclusion of new drugs in the subsidy list of the Fund was too lengthy and cumbersome to address the urgent needs of those patients suffering from acute illnesses. He reiterated his suggestion that drugs prescribed by HA's doctors but not on HA Drug Formulary should be added immediately to the Fund.

On eligibility criteria

26. Noting from paragraph 7(d) of the Administration's paper FCR(2008-09)50 that the financial assessment criteria had been relaxed in January 2008, Mr WONG Kwok-hing enquired whether the Administration was prepared to relax the assessment criteria further in view of the current economic downturn which was turning more and more people out of job. He enquired whether there was a mechanism for patients to appeal if their applications for subsidy under the Fund were refused. In response, USFH said that the level of subsidy granted under the Fund was based on the patient's household disposable income and assets as well as the actual cost of the medical item. Hence, the financial condition of an unemployed applicant should be reflected accordingly in his household disposable income. As for the appeal mechanism, the applicant could apply again to the responsible Medical Social Worker if he/she was able to provide documentary proof regarding the change of his/her financial condition.

27. Mrs Regina IP pointed out that medical expenses could impact significantly on middle class families. Based on a few such cases she had handled recently, she believed that the Fund could provide the much needed assistance for patients from middle class families. She thus supported the Administration's funding proposal and urged the Administration to conduct regular reviews of the financial assessment criteria of the Fund to take into account changing social circumstances.

28. Mr LEUNG Yiu-chung said that he supported the Administration's proposal, and urged the Administration to conduct a review with a view to further relaxing the eligibility criteria of the Fund. While he appreciated that there were two expert committees with medical and pharmaceutical professionals under the Fund and HA to examine new drugs for inclusion in the subsidy list of the Fund, it might be better if the two committees could co-opt members from patient and non professional groups who could see the benefits of the new drugs more from a patient's angle. He cited the inclusion of Glivec as an example to illustrate that notwithstanding lengthy appeals from the patient group on the efficacy of the drug, the Administration had been slow in adding the drug to the Fund. In response, USFH said that in reviewing new drugs for the Fund, the Administration adopted a patient-oriented approach. This had applied to the inclusion of Glivec in drug list and extension of its application in treating acute lymphoblastic leukaemia and a chronic inflammatory disease of the gastrointestinal tract. However, unless there was strong and adequate clinical evidence in support of the efficacy of the new medicines, it would be difficult for the two committees to recommend their inclusion in the subsidy list of the Fund. He clarified that some members of the Medical Services Development Committee were not from the medical field, and they could bring in ideas from non-clinical perspectives. D(CS) supplemented that the Administration always maintained open and effective communications with patient groups on inclusion of new drugs. A good example was the inclusion of Glivec to the Fund. Nevertheless, any inclusion of new drugs had to be evidence-based, and the process would therefore take some time.

29. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 4 - FCR(2008-09)51

INNOVATION AND TECHNOLOGY FUND

HEAD 111 – INNOVATION AND TECHNOLOGY

- **Subhead 108 Establishment of an Incubation-cum-Training Centre to support Digital Entertainment Development by the Hong Kong Cyberport Management Company Limited**

30. Mr Vincent FANG, Chairman of the Panel on Commerce and Industry, reported that the Administration's funding proposal had been discussed at the Panel meeting on 18 November 2008. Panel members in principle supported the proposal and believed that the additional provision of \$25.2 million was justified, having regard

to the positive impact of the Digital Entertainment Incubation-cum-Training (Incu-Train) Programme on the sustainable development of the digital entertainment industry, development of commercially viable products and services as well as promotion of employment opportunities.

Admin 31. Referring to Enclosure 1 to FCR(2008-09)51 on status of the incubatees of the first phase of the Incu-Train Programme, Mr Paul CHAN enquired about the reasons for the failure of six incubatees to complete the programme, and whether these incubatees had to return the funding support they had received. He also noted that since October 2005, the Incu-Train Centre had successfully incubated 27 companies and the current and alumni incubatees created a total of 381 positions. Nevertheless, he did not find these figures particularly impressive, and commented the awards won by the incubatees as listed in Enclosure 3 to FCR(2008-09)51 were not encouraging. He queried the outcome measurement set for the Incu-Train Programme and sought information on the attendance record of the members of the Advisory Committee set up by the Digital Entertainment Incu-Train Centre.

32. The Deputy Secretary for Commerce and Economic Development (Communications and Technology) (DS(CT)) responded that of the six incubatees which had failed to complete the incubation period, only one incubate was terminated due to disputes over intelligence property amongst the shareholders of the company concerned. The other five incubatees withdrew voluntarily due to their failure in obtaining a share in the market. She clarified that the incubatees were provided with training opportunities and offices space in the Cyberport and no monetary support had been offered to them. Hence, there was no question of requiring those six incubatees to return any funding received. On outcome measurement, DS(CT) explained that the original plan was to incubate 45 incubatees in the first phase of the Incu-Train Programme with a target success rate of 33%. It turned out that 62 companies were incubated or being incubated in the first phase. The success rate for the first and second batches of incubatees was 84%, and for the third and fourth batches, only one had withdrawn so far. On the employment side, although "381 positions" was not a particularly impressive figure for job creation, one should bear in mind that most digital entertainment companies involved in the programme were very small start-up companies. It was beyond doubt that these incubatees had given an impetus to the development of the local digital entertainment industry. Half-yearly reviews on the progress of the incubatees also showed that some of them had far exceeded the scheduled progress and could graduate early.

33. On the awards won by the incubatees, the Chief Executive Officer, Hong Kong Cyberport Management Company Ltd. (CEO, HKCMCL) explained that the incubatees had to compete with large companies, and their success in winning awards and honours in highly competitive events was praiseworthy. He further advised that members sitting on the Advisory Committee set up by the Digital Entertainment Incu-Train Centre had maintained very high attendance rates, and agreed to provide the information after the meeting.

(Post-meeting note: The information on the attendance rates of the Advisory Committee was issued to members vide FC51/08-09 on 5 January 2009.)

34. Mr WONG Kwok-hing suggested that to enable members to have a good understanding of the use of allocated funds, the Administration should organize a visit to the Incu-Train Centre for Members. He enquired about the number of incubatees supported under the second phase of the Incu-Train Programme and the number of jobs created by these incubatees. He was concerned that some incubatees might use different company names to apply to join the programme in order to tap on the office space and other resources offered, and urged the Administration to exercise due care to prevent abuse in this regard.

35. DS(CT) said that the current plan was to recruit 55 digital entertainment or media start-ups in the second phase of the programme. On the assumption that each incubatee would engage an average of six employees, it was anticipated that the second phase should be able to create some 300 positions for the job market. In assessing the outcome of the programme, one should also take into account the stimulus the programme would generate for the territory's digital entertainment industry. Mr WONG Kwok-hing still felt strongly that the Administration should draw up a clear target for the programme in terms of the output value created. Besides, he found the number of positions created in the second phase of the programme rather small, and requested to put on record his concern about the possibility of repeated enrolment of the same persons to the programme. CEO, HKCMCL took note of Mr WONG's concern and assured members that Hong Kong Cyberport Management Company Limited would exercise due care to guard against repeated enrolment.

Admin 36. Regarding the suggestion of arranging a site visit to the Incu-Train Centre, the Chairman requested the Administration to follow up with the Panel on Commerce and Industry.

(Post-meeting note: A visit to the Incu-Train Centre was conducted by the Panel on Commerce and Industry on 15 January 2009.)

37. Mrs Regina IP said that she supported the provision of additional funding for the programme and pointed out that in comparison with similar companies in the Mainland and other countries, the death rate of the incubatees of the programme was not high. She remarked that the main objective of the Incu-Train Centre was to assist small start-up companies to establish their business. As development of new technologies was highly risky, it might not be realistic to expect these small companies to provide a large number of jobs. As for the support for the incubatees, she queried whether the two-year incubation period was too short and whether the Incu-Train Centre had any collaboration programmes with institutions such as the Hong Kong Science Park (HKSP) and the Hong Kong Applied Science and Technology Research Institute (ASTRI).

38. CEO, HKCMCL said that two years was an appropriate length for the incubation period. Prior to the start of their incubation, the incubatees were required to submit a detailed plan outlining their objectives and scheduled course of development within the 24-month incubation period, during which the Incu-Train Centre would provide all possible assistance to help the incubatees to realize their objectives. With clear milestone targets in mind, most companies were able to complete the development within the incubation period, and some were even able to complete the development ahead of schedule. He explained that the Incu-Train Centre was different from HKSP and ASTRI in that the latter two institutions were more of a research orientation, whereas the Incu-Train Centre was dedicated to providing an incubation facility to assist the growth of start-up companies and new entrants in the digital entertainment and digital multimedia sector in their early days. Nevertheless, the Incu-Train Centre would seek assistance from experts of the two institutions if the incubatees had such a need. In response to a further enquiry from Mrs IP, CEO, HKCMCL explained that the purpose of enlisting members of the HKSP and ASTRI to sit on the Vetting Committee of the Incu-Train Centre was to assess whether the proposals of the incubation applicants were practicable, and whether they had reached a required level of technical know-how.

39. Responding to Mr LAU Kong-wah's enquiry about the control mechanism of the Incu-Train Programme, DS(CT) explained that the Hong Kong Cyberport Management Ltd (CML) was required to submit half-yearly progress reports to the Administration. According to the agreement with CML, the Administration might terminate the funding of the programme if the programme failed to secure on-going industry support or lacked substantive progress, or there was evidence that the chance of completing the programme was low. In response to Mr LAU's further enquiry about the kinds of support for the incubates offered by the Incu-Train Centre, she pointed out that the Incu-Train Centre did not provide direct funding support for the incubatees. It assisted the incubatees to start up in the digital entertainment industry by providing them with a Digital Entertainment Training Programme, rent-free office space and access to specialized hardware and software facilities, business development advice as well as legal services at subsidized rates.

40. Dr Samson TAM opined that digital entertainment was a fast-growing industry world-wide. In the Mainland, with more than 1 000 programme writers, the industry had yearly business yield up to \$20 to \$30 billion RMB. In the case of Hong Kong, progress had been less impressive and few companies were able to grow in size. He asked whether it was possible for the Administration to attract international companies to join the programme. On outcome measurement, he hoped that the Administration could use the success rate of graduated incubatees in securing funding support from venture capital (VC) companies as a yardstick for gauging the effectiveness of the programme.

41. In response, DS(CT) explained that the Incu-Train Programme primarily targeted at new entrants and start-up companies. At present, world-class IT

companies were invited mainly to provide technological support to the incubatees. Besides, through the Programme, the incubatees had established a lot of useful networks with different parties within and outside the industry and the incubatees could make good use of these networks to further the development of their business. CEO, HKCMCL supplemented that a number of world-class companies including Sony Computer Entertainment had been engaged in training up the incubatees in different technological areas. The Incu-Train Centre had also been successful in lining up a few incubatees with good products at hand with VC companies. He said that at a rather early stage of their development, it would be extremely difficult, if not impossible, for the incubatees to secure VC funding.

42. As for Mr WONG Kwok-hing's request for the Administration to keep track of the incubatees' increase of output value as an outcome measurement, CEO, HKCMCL suggested that as the Incu-Train Centre would approach the graduated incubatees to share with existing incubatees their actual experiences, the Centre would take the opportunity to obtain information from the graduated incubatees on the development of their companies including the positions created by their companies. The Chairman advised that the information should be included in the paper for discussion by the relevant Panel.

43. The Chairman put the proposal to vote. The Committee approved the proposal.

Item No. 5 - FCR(2008-09)52

HEAD 181 – TRADE AND INDUSTRY DEPARTMENT

- **Subhead 700 General non-recurrent**

Item 802 Special Loan Guarantee Scheme for Small and Medium Enterprises

44. Mr Vincent FANG, Chairman of the Panel on Commerce and Industry, reported that the Administration's proposal on the enhanced Special Loan Guarantee Scheme (SpGS) had been discussed at a special meeting of the Panel on 10 December 2008. Panel members welcomed the proposal and believed that it would help solve the liquidity problems encountered by the small and medium enterprises (SMEs) in the midst of the global financial crisis. However, there were concerns that participating lending institutions (PLIs) would still be hesitant in granting loans to SMEs, or might impose a high interest rate for the loans. Panel members therefore urged the Administration to liaise further with PLIs on cutting down the interest rate, and to start off the scheme as soon as practicable.

45. Mr WONG Kwok-hing expressed support for the proposal. Given that a huge sum of public funds amounting to \$100 billion was earmarked under the scheme for eligible companies to tide over a difficult period, the companies should fulfil their social responsibility not to lay off their employees. In response, the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and

Tourism) (PS(CIT)) said that senior government officials had made repeated appeals to the employer bodies not to lay off their employees. However, it would be difficult for the Administration to add further terms on job preservation to the loans granted under SpGS. She believed that if the companies were able to survive with the help of the loans, they would maintain the required personnel to carry on with their business.

46. Mr Vincent FANG believed that most SMEs had a strong sense of social responsibility and were prepared to cooperate with the Government not to lay off their employees. He informed the meeting that a campaign would be launched on 15 December 2008 during which more than 1 000 SME employers would sign a charter pledging not to lay off their employees in the coming year.

47. To keep track of the increase and decrease of jobs following the implementation of SpGS, Mr WONG Kwok-hing opined that the Administration should collect the employment figures from the companies which had been granted loans under the scheme. The Director-General of Trade and Industry (DG of TI) responded that the Administration could consider doing a voluntary questionnaire survey to capture, amongst other things, the employment figures. PS(CIT) said that although the Administration had not required PLIs to provide employment figures of SMEs granted loans under the previous two special SME loan schemes implemented in 1998 and 2003, she would consider member's suggestion. At the Chairman's request, PS(CIT) and DG of TI agreed to explore with the PLIs the collection of employment figures from the companies which were granted loans under the SpGS.

48. At this juncture, the Chairman said that the meeting should be adjourned and consideration of this agenda item should continue at another FC meeting which would start at 5:00 pm of the same day.

49. The meeting was adjourned at 1:30 pm.

Legislative Council Secretariat

11 June 2009