

**立法會**  
**Legislative Council**

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**Finance Committee of the Legislative Council**

**Minutes of the 24th meeting  
held at the Legislative Council Chamber  
on Friday, 23 April 2010, at 3:00 pm**

**Members present:**

Hon Emily LAU Wai-hing, JP (Chairman)  
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)  
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, SBS, JP  
Dr Hon Margaret NG  
Hon CHEUNG Man-kwong  
Hon CHAN Kam-lam, SBS, JP  
Hon LEUNG Yiu-chung  
Hon WONG Yung-kan, SBS, JP  
Hon LAU Kong-wah, 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 Frederick FUNG Kin-kee, SBS, JP  
Hon Audrey EU Yuet-mee, SC, JP  
Hon Vincent FANG Kang, SBS, JP  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon CHEUNG Hok-ming, GBS, JP

Hon WONG Ting-kwong, BBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon CHIM Pui-chung  
Hon KAM Nai-wai, MH  
Hon Cyd HO Sau-lan  
Hon Starry LEE Wai-king  
Dr Hon LAM Tai-fai, BBS, JP  
Hon CHAN Hak-kan  
Hon Paul CHAN Mo-po, MH, JP  
Hon CHAN Kin-por, JP  
Dr Hon Priscilla LEUNG Mei-fun  
Dr Hon LEUNG Ka-lau  
Hon CHEUNG Kwok-che  
Hon WONG Sing-chi  
Hon WONG Kwok-kin, BBS  
Hon IP Wai-ming, MH  
Hon IP Kwok-him, GBS, JP  
Dr Hon PAN Pey-chyou  
Hon Paul TSE Wai-chun

**Members absent:**

Hon Albert HO Chun-yan  
Hon James TO Kun-sun  
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP  
Dr Hon Philip WONG Yu-hong, GBS  
Hon LAU Wong-fat, GBM, GBS, JP  
Dr Hon Joseph LEE Kok-long, SBS, JP  
Hon Mrs Regina IP LAU Suk-yea, GBS, JP  
Dr Hon Samson TAM Wai-ho, JP

**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 Alice LAU, 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)
Miss Jennifer MAK, JP	Director of Administration

Miss Helen TANG	Deputy Director of Administration (1)
Mr Wilfred WU	Principal Executive Officer (Administration)
Miss Janet WONG Wing-chen, JP	Commissioner for Innovation and Technology
Mr Andrew LAI Chi-wah	Deputy Commissioner for Innovation and Technology
Mr Nicholas BROOKE, BBS, JP	Chairman, Hong Kong Science and Technology Parks Corporation
Mr E Anthony TAN	Chief Executive Officer, Hong Kong Science and Technology Parks Corporation
Mr Kenneth CHEN, JP	Under Secretary for Education
Ms Esther LEUNG, JP	Deputy Secretary for Education
Ms Nancy SO	Controller, Student Financial Assistance Agency
Mr Tony WONG	Senior Systems Manager (Information Technology Management Unit), Student Financial Assistance Agency
Mr CHENG Yan-chee, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services)1
Mr PANG Sing-tong, Peter, JP	Deputy Chief Executive, Hong Kong Monetary Authority
Ms TSE Suk-wai, Linda	Senior Manager (External), Hong Kong Monetary Authority

**Clerk in attendance:**

Mrs Constance LI	Assistant Secretary General 1
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**Staff in attendance:**

Ms Anita SIT	Chief Council Secretary (1)5
Miss Joanne FONG	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)1

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**Item No. 1 - FCR(2010-11)2**

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE  
MADE ON 10 FEBRUARY 2010**

The Chairman advised that the Committee's approval was sought for two project proposals recommended by the Public Works Subcommittee on 10 February 2010, i.e. North District sewerage, stage 1 phase 2B project (PWSC(2009-10)89), and Harbour Area Treatment Scheme, stage 2A project (PWSC(2009-10)87).

2. As members did not raise any questions on the proposals, the Chairman put the item to vote. The Committee approved the proposals.

**Item No. 2 - FCR(2010-11)6**

**HEAD 184 – TRANSFERS TO FUNDS  
Subhead 990 Payment to the Disaster Relief Fund**

3. The Chairman advised that the Committee's approval was sought for an injection of \$130 million to the Disaster Relief Fund (DRF), and to delegate to the Financial Secretary the authority to make grants each in excess of \$8 million for the purpose of providing emergency relief to earthquake victims in Qinghai Province in the Mainland upon the advice of the Disaster Relief Fund Advisory Committee (DRFAC). In view of the urgency of the matter, she had waived the time requirements for the notice of the agenda item and despatch of the discussion paper. The Chairman further said that the Administration had also provided a supplementary information paper which was tabled at the meeting.

4. Mr WONG Kwok-hing said that he supported the funding proposal and urged the Administration to ensure expeditious delivery of the relief donation to the Qinghai Provincial Government. The Director of Administration (D of Adm) advised that to expedite the approval process of the DRF grants, the Finance Committee (FC)'s approval for the present proposal and the endorsement of DRFAC for providing emergency relief to the earthquake victims in Qinghai Province were sought in parallel. Since DRFAC had already given its endorsement, upon FC's approval of the present proposal, the Administration would proceed immediately to arrange the transfer of the \$100 million donation to the Provincial Government of Qinghai as contribution to their disaster relief and rehabilitation work, and to process applications for grants from relief organizations to undertake emergency relief projects.

Use of the donation and grants

5. Ms Audrey EU said that Members belonging to the Civic Party supported of the funding proposal, and enquired about the basis for setting the relief donation to the Provincial Government of Qinghai at \$100 million. D of Adm advised that the Administration had made reference to the amounts of relief donations made under the DRF in the past, and considered it appropriate to seek a provision of some \$130 million (including the \$100 million donation to the Provincial Government of Qinghai) for providing emergency relief to Qinghai earthquake victims. She assured members that the Administration would keep in view the situation in Qinghai, and would seek further provision from FC should there be such a need.

6. Ms Starry LEE expressed support for the proposal and enquired about the use of the grants for emergency relief projects to be undertaken by relief organizations. The Chairman enquired whether relief organizations had submitted applications or indicated intention to apply for grants, and what relief projects would be undertaken.

7. D of Adm advised that The Amity Foundation had been approved a grant of \$4.5 million which would be used for purchasing emergency relief items such as food, clothing, quilts, etc. The Administration had also received applications from the Salvation Army and the Adventist Development and Relief Agency (ADRA). The Salvation Army had applied for some \$7 million to purchase folded beds, and ADRA had applied for some \$2 million to purchase cooking utensils and stoves. Several other relief organizations which had indicated intention to apply for grants were still assessing the kind of emergency assistance the victims most needed. The Administration would deal with their applications once received.

Control mechanism

8. Ms Audrey EU enquired when the recipient authorities of Qinghai were expected to provide evaluation reports on the use of the relief donation from Hong Kong. D of Adm explained that in line with the usual practice, the Administration would request the recipient relief organizations to submit evaluation reports within six months after completion of the emergency relief projects. As regards grants made to governments outside the Hong Kong Special Administrative Region, considering that the relevant authorities would need to focus their efforts on the emergency relief work which was usually complex and large in scale, the Administration would not specify a timeframe for their provision of evaluation reports. Nevertheless, the Administration would maintain liaison with the authorities on the provision of evaluation reports, and provide them to Legislative Council (LegCo) Members when received.

9. Mr LEE Wing-tat said that Members belonging to the Democratic Party supported the funding proposal in view of the severity of the earthquake in Qinghai. He opined that while it might be inappropriate for the HKSAR Government to closely monitor the use of the relief donation to the Provincial Government of Qinghai, a

monitoring mechanism should be in place to keep the Hong Kong public informed of the use of the funds. In this connection, he referred to the reporting arrangements for HKSAR's support for the reconstruction work of the Sichuan Province, and commended the detailed progress reports made to LegCo Members and the high transparency in the process. He suggested that similar reporting arrangements be adopted for the relief donation to the Provincial Government of Qinghai.

10. D of Adm clarified that the reconstruction support in Sichuan was not funded by the DRF, but was financed through another dedicated fund set up for the purpose. The three phases of HKSAR's reconstruction support in Sichuan covered a number of reconstruction projects and spanned over a few years, whereas the donations and grants provided under the DRF were aimed at providing emergency relief to victims. She further explained that in the Administration's correspondence with the recipient Mainland authorities in relation to DRF donations for provision of emergency relief at times of disasters, such as the snowstorms affecting a number of provinces in early 2008 and the earthquake in Sichuan in May 2008, the Administration had requested the relevant Mainland authorities to provide evaluation reports with details, such as the counties or places where the donated funds were used, the relief items purchased, and the number of beneficiaries, etc. In this connection, the Administration was mindful of the need to allow flexibility for the Mainland authorities concerned in the deployment of the donations to address the needs of the victims. D of Adm reiterated that although no specific timeframe was set for the provision of evaluation reports, the Administration would normally check with the authorities concerned in about six months' time to ascertain the progress of their relief work, and to follow up on their provision of evaluation reports at appropriate intervals.

11. Mr LEE Wing-tat asked whether the relevant Mainland authorities had provided their evaluation reports for the donations received from DRF in the past few years, and whether such reports were made available to Members. D of Adm responded that in relation to the previous DRF donations, the Administration had already passed on the evaluation reports it had received from the Mainland authorities and relief organizations concerned to Members through the LegCo Secretariat. In this connection, the Chairman requested the Administration to consider uploading the reports onto the relevant government website for access by the general public.

*(Post-meeting note: The Administration's letter providing the relevant information was issued to members vide LC Paper No FC103/09-10 on 7 May 2010.)*

12. Ir Dr Raymond HO said that Members belonging to the Professionals Forum supported the funding proposal, in view of the vast damage the earthquake had brought about to the Yushu County. While he supported making a \$100 million relief donation to the Provincial Government of Qinghai, he requested the Administration to make clear to the Provincial Government that the evaluation reports on the use of the donation should include concrete details of the relief work, including

figures on the emergency items purchased, number of beneficiaries, etc. D of Adm responded that the Administration would, taking into account members' concerns and suggestions, suggest to the recipient authorities an appropriate format for presenting relevant details in their evaluation reports.

### Reconstruction of the Yushu County

13. Ms Starry LEE enquired about the reconstruction plan for the Yushu County and asked whether the \$100 million relief donation would be used in support of the reconstruction works. D of Adm responded that she did not have the information on the Provincial Government's plan for the reconstruction of the Yushu County. The \$100 million donation was intended to contribute to the Provincial Government's disaster relief and rehabilitation work, and would probably be used for purchasing emergency relief items but not the reconstruction works.

14. Ir Dr Raymond HO enquired whether the Administration would keep liaising with the Provincial Government of Qinghai about the progress of their relief and rehabilitation work of Yushu County, and whether the Administration would consider providing assistance in the reconstruction of Yushu County. D of Adm responded that the Administration would maintain close liaison with the Mainland authorities to understand the progress of the relief and rehabilitation work. If there was a plan for reconstruction of the earthquake-stricken areas, the Administration would consider how best to offer assistance and seek funding approval from FC for the purpose if appropriate.

15. Mr LAU Kong-wah said that the story of Mr WONG Fuk-wing, a Hong Kong volunteer who sacrificed his life when trying to save the teachers and students from an orphanage during the Qinghai earthquake, had indeed touched the hearts of the people in Hong Kong and on the Mainland. Mr LAU asked if the Administration would consider earmarking funds for the reconstruction of the orphanage in memory of Mr WONG. Reiterating that reconstruction works fell outside the scope of DRF, D of Adm advised that the Administration would consider how it could assist in the matter if such a request was received. Mr LAU Kong-wah requested the Administration to actively consider his suggestion, as this would provide a good opportunity for Hong Kong people to pay tribute to Mr WONG, apart from the award of the Medal for Bravery to him. The Chairman asked if the Administration would put forward a proposal to Mainland authorities for supporting the reconstruction of the said orphanage. D of Adm noted the suggestion.

16. Mr Andrew LEUNG said that Members belonging to the Economic Synergy supported the funding proposal and urged for the expeditious delivery of relief funds and items to Qinghai. These Members would also support providing additional funding for the reconstruction projects in Qinghai, if necessary. He further said that Hong Kong's support for the reconstruction of the orphanage in Qinghai would not only serve to honour the bravery of Mr WONG Fuk-wing but would also symbolize a linkage between Hong Kong and Qinghai. He suggested the

Administration co-ordinate efforts for raising funds from the Hong Kong community for making contributions to the reconstruction of the orphanage.

17. Mr Tommy CHEUNG said that Members belonging to the Liberal Party supported the funding proposal. He asked about the arrangements for Hong Kong to offer further support or assistance in connection with natural disasters on the Mainland. D of Adm advised that immediately after the occurrence of the earthquake in Qinghai, the HKSAR Government had approached the Central People's Government to offer assistance in the relief work, but was advised that such assistance was not necessary in the initial stage. However, having regard to the post-earthquake situation of the affected areas, the HKSAR Government decided to make a relief donation to Qinghai to support the emergency relief work. Mr CHEUNG further asked if the Administration had contacted the Mainland authorities about the reconstruction of the Yushu County in Qinghai. D of Adm replied that the Administration had maintained close liaison with the Mainland authorities, and was prepared to offer assistance to the earthquake victims, where appropriate.

#### Other concerns

18. Ms Audrey EU enquired about the channels for members of the public to donate emergency relief items to the earthquake victims. D of Adm advised that the Administration could refer interested members of the public to the relevant relief organizations in respect of such donations.

19. Dr PAN Pey-chyou said that Members belonging to the Hong Kong Federation of Trade Unions supported the funding proposal. Given the geographical distance of the Qinghai Province from Hong Kong, he urged the Administration to actively consider sending government representatives to station at the affected areas for a period of time to gather the latest information about the needs of the earthquake victims and co-ordinate the efforts on the Hong Kong community in providing assistance in the relief and reconstruction work.

20. D of Adm took note of Dr PAN's suggestion and advised that the Administration could obtain information on the latest development in the earthquake-stricken areas and the needs of the victims through different channels, such as through contacts with the Central People's Government, the relief organizations, and the Beijing Office of HKSAR Government.

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



**Item No. 3 - FCR(2010-11)3**

**CAPITAL INVESTMENT FUND**

**HEAD 962 – INDUSTRY**

**New Subhead “Equity in the Hong Kong Science and Technology Parks Corporation”**

**New Subhead “Loan to the Hong Kong Science and Technology Parks Corporation”**

22. The Chairman advised that the Committee's approval was sought for an equity injection of \$1,463 million from the Government and a provision of Government loan of \$1,220 million from the Capital Investment Fund, and a guarantee by the Government for a commercial loan amounting to \$1,707 million and the interest arising therefrom to the Hong Kong Science and Technology Parks Corporation (HKSTPC) to enable the Corporation to proceed with the development of Science Park Phase 3. The Panel on Commerce and Industry had discussed the proposal at its meeting on 16 March 2010. The Administration had also provided supplementary information to the Panel.

Economic benefits of Science Park

23. Mr LEE Wing-tat said that while he believed that the public would generally support the development of Science Park to promote research and development (R&D) in Hong Kong, the Administration should provide justifications for the injection of further funding for Science Park Phase 3 development. He asked about the R&D results of Science Park, such as the number of patented R&D products, the number of brands established and the number of R&D products which had been commercialized.

24. The Commissioner for Innovation and Technology (CIT) responded that Science Park had been committed to promoting five focused technology clusters including Electronics, Information Technology and Communications (ITC), Precision Engineering, Biotechnology and Green Technology. The Chief Executive Officer of HKSTPC (CEO/HKSTPC) advised that the overall occupancy rate of Science Park was 87%. Currently, 315 local and overseas companies were operating in Science Park. These companies employed a total of 7 900 persons, among whom around 65% were engaged directly in R&D work. Based on the total sum of sales reported by tenants in a survey conducted by HKSTPC, the annual turnover of Science Park was around \$5.7 billion. Over the past years, tenants of Science Park had won 116 local and international awards and prizes and obtained 245 patents. From 2002 to 2009, HKSTPC graduated 139 start-up companies from its incubation programme, and three of them had been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

### Rental rates of Science Park

25. Mr LEE Wing-tat queried that the high occupancy rate of Science Park might be due to its concessionary rentals, and asked how far the activities undertaken by the tenants were R&D related. CIT and CEO/HKSTPC advised that two major admission criteria for Science Park were that more than 50% of the company's staff would be engaged in R&D work and more than 50% of the office space would be used for R&D activities. As to how the rentals of Science Park were compared to market rentals, they advised that the rental rates charged by HKSTPC for Science Park ranged from \$8 per square feet to \$15.2 per square feet for 2009-2010, and were value for money. Apart from providing office premises, HKSTPC also offered a wide range of supporting services to its tenants, such as technology support laboratories. The current overall 87% occupancy rate of Science Park demonstrated that there was strong market demand for the office space in Science Park.

26. Mr Andrew LEUNG opined that the rental rates of Science Park were reasonable, and thus could attract local and overseas R&D companies to set up offices in the Park. With the formation of the R&D company clusters in Science Park, tenants could benefit from the sharing of facilities and manpower, and this, in turn, would attract more R&D companies to establish their business in Science Park.

### Financial arrangements for Phase 3 development

27. Ms Audrey EU sought details about the commercial loan of \$1,707 million guaranteed by the Government, and the risks of the loan guarantee to the Government. CIT advised that the commercial loan arrangement was a new arrangement adopted for the Phase 3 development of Science Park. Under the arrangement, the Government would not expend the \$1,707 million but would provide guarantee for HKSTPC to secure the loan on more advantageous terms. The detailed arrangements for the commercial loan would be negotiated between HKSTPC and the commercial loan provider(s). In devising the financing arrangements for the Phase 3 development, the Administration had confidence in HKSTPC's ability in securing and repaying the commercial loan. CIT further advised that in the event that HKSTPC ran into financial difficulties, such as due to a serious downturn of the economy or very high tender prices for the Phase 3 development, HKSTPC could discuss with the Administration to adjust the repayment schedule of the \$1,220 million loan from the Capital Investment Fund.

### Development approach and features

28. Referring to the recent naming of the Science Park Auditorium as Charles K. Kao Auditorium to recognize the outstanding achievement of Professor Charles K. Kao, a Nobel Prize laureate in Physics, Ms Audrey EU asked if the Administration would consider naming the roads and buildings in Science Park Phase 3 to recognize the achievements of other successful scientists of Hong Kong origin.

29. CIT responded that the Administration could consider naming requests to honour persons whose outstanding achievements were well recognized by the community. The Chairman/HKSTPC added that HKSTPC would consider a programme to name individual buildings and roads in the Phase 3 development after well-known scientists.

30. Ms Audrey EU enquired about the environmental-friendly facilities to be provided in the Phase 3 development. CEO/HKSTPC responded that the design, construction and operation of Phase 3 would be based on the concept of sustainability, and green features and green technologies would be adopted as far as possible. For instance, HKSTPC would use renewable energy, such as electro-optical thin film solar panels and wind turbines, natural lighting and natural air-cooling systems.

31. Ms Audrey EU further asked about the energy-saving standards adopted for the design/construction and operation of Phase 3. The Chairman/HKSTPC said that HKSTPC aimed to achieve the LEED (Leadership in Energy and Environmental Design) Platinum status for the Phase 3 development, which was the highest benchmark available at the moment. The Corporation aspired to showcase Phase 3 in terms of design and operation, and contribute to local green initiatives on energy management.

32. Mr Abraham SHEK said that he supported the development of Science Park Phase 3. Having regard to the amount of public funds injected into the project, he hoped that the project could showcase the R&D development of Hong Kong. Mr SHEK enquired if the Administration would consider organizing design competitions for the Phase 3 development, so that the development could portray Hong Kong as an innovation and technology hub.

33. CIT said that while design competition was an effective means to solicit creative designs, there were practical difficulties in organizing design competitions for the Phase 3 development, given its very tight implementation schedule to provide relief for the anticipated saturation of Phases 1 and 2 in 2014.

34. Mr Abraham SHEK responded that time constraint should not be an overriding consideration. Since the architectural designs of buildings had long-lasting impacts, he considered it important to solicit quality designs for the buildings in the Phase 3 development through design competitions.

35. The Chairman/HKSTPC said that it was necessary for HKSTPC to drive the project forward. In the tendering exercise for the master development plan of Science Park Phase 3, local consultants were successful in securing the contract. This sustainable master plan would form the basis for seeking competitive proposals from talented building professionals. As part of the transparent and competitive process, the Corporation would invite proposals from talents both domestically and internationally for the Phase 3 development contracts. The Corporation aspired to

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showcase the buildings in Phase 3, and was considering the adoption of a two-envelope approach whereby due weighting would be accorded to the design aspects, apart from the cost aspect, in the assessment of tenders for the Phase 3 development works.

36. Mr Abraham SHEK reiterated his view that it was vital for the Administration to set a direction for innovation and technology development on Hong Kong by using creative architectural designs on a landmark such as Science Park.

37. Prof Patrick LAU declared that he was a former member of the board of directors of HKSTPC. He expressed support for the funding proposal, as he believed that the development of innovation and technology was crucial for Hong Kong to advance itself in the global milieu. He shared Mr SHEK's view that the Administration should organize design competitions for the buildings in the Phase 3 development. The Chairman/HKSTPC said that while he appreciated the good intention of Mr SHEK and Prof LAU, he did not think there would be sufficient time for a full scale design competition as such. At the request of Prof Patrick LAU, Chairman/HKSTPC and CIT agreed to take up the matter with the Board of HKSTPC and report to FC the outcome of the consideration.

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38. Prof Patrick LAU noted the unique design feature introduced in Phase 2 of grouping the energy-supply equipment in energy towers. He asked if the design had achieved the expected results and would be adopted for the Phase 3 development. CEO/HKSTPC confirmed that the energy-supply equipment in Phase 3 would also be clustered together in an energy tower as such a design feature would save a lot of energy. Prof LAU further suggested that a specially designed waterfront, preferably with exhibition galleries, should be provided in Science Park for public enjoyment. CEO/HKSTPC took note of his suggestion.

Long-term development of Science Park

39. Mr Andrew LEUNG said that Members belonging to the Economic Synergy supported the development of Science Park Phase 3. He commented that among the member countries of the Organization for Economic Co-operation and Development, the resources allocated for R&D in Hong Kong was rather insignificant. The development of Science Park was a positive initiative as the clustering of R&D companies and their professionals/talents in Science Park would produce positive results and bring economic benefits to Hong Kong. Mr LEUNG expressed concern about the availability of land for the further development of Science Park after Phase 3. In this respect, he urged the Administration to plan ahead for Science Park Phases 4 and 5, and to step up its efforts in soliciting funds for R&D from private companies.

40. Dr PAN Pey-chyou said that Members belonging to the Hong Kong Federation of Trade Unions supported the development of Science Park Phase 3, and considered that Science Park had made significant contribution to the innovation and technology industry in Hong Kong. While the utilization rate and retention rate of

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companies in Science Park were generally satisfactory, he shared the concern of Mr Andrew LEUNG about the availability of land for further development of Science Park beyond Phase 3.

41. CIT said that the land on Pak Shek Kok would be used up after the Science Park Phase 3 development. However, the Administration would closely monitor the situation and liaise with the Development Bureau and Planning Department for land provision in the New Territories for further development of Science Park. On another front, the Administration would step up efforts in encouraging investment in R&D from the business sector. To this end, ITC had been liaising with the various chambers of commerce from time to time to update them with the Commission's activities.

42. Noting that Dupont had established its global thin film photovoltaic business headquarters and research centre in Science Park, Ms Cyd HO asked whether the company's offices in Science Park had focused on research or business development. CEO/HKSTPC advised that Hong Kong was the research centre of Dupont's global photovoltaic business. The research work of the pilot plan of the global thin film photovoltaic business and the prototype were developed in Hong Kong. The company's R&D endeavour was carried out in Hong Kong Science Park, while its manufacturing facilities were located in Shenzhen. CEO/HKSTPC further pointed out that Hong Kong had a strong intellectual property protection regime which Dupont found conducive to its R&D initiatives.

Follow-up assistance to start-up companies of the incubation programme

43. Noting that HKSTPC had graduated 139 start-up companies from its incubation programme from 2002 to 2009, Ms Miriam LAU enquired whether HKSTPC had plans to recruit more companies into the programme in future, whether the 139 companies were still in operation after graduating from the programme and how many of them were Science Park tenants at present.

44. CEO/HKSTPC replied that for the current year, HKSTPC had set the target of admitting 100 companies to the incubation programme. Currently, about 95 companies were being trained. Of the 139 graduated companies, it was estimated that about 80% to 85% were still in operation and 30% of them were Science Park tenants at present. He explained that given their small establishment, some of these graduated companies would prefer renting offices outside Science Park.

45. Ms Miriam LAU further asked whether HKSTPC had followed up on the graduated companies and what measures would be taken to offer assistance to them. Chairman/HKSTPC and CEO/HKSTPC advised that the Corporation had kept in touch with the graduated companies, and conducted periodic surveys among these companies. HKSTPC would provide follow-up services to them as long as they were in operation, especially business matching services to help the companies find

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angel venture capital for sustained operation. Over the last five years, HKSTPC had helped to raise some \$600 million venture capital from the private sector.

Promotion of R&D enterprises in the community

46. Dr PAN Pey-chyou commented that the R&D sector in Hong Kong did not have much contact with other sectors in the society, and asked if the Administration would co-ordinate the R&D stakeholders (i.e. researchers, users of R&D deliverables, and production and sales units) to promote R&D enterprises in Hong Kong.

47. CIT agreed that there should be closer liaison between the R&D sector and the various trades in the society in promoting innovation and technology and in commercializing R&D outcomes to benefit the society. She advised that the Administration was working diligently to promote co-operation among the Government, the business sector, the academia and the R&D sector. For instance, the Innovation and Technology Commission had discussed with the Hospital Authority and the Department of Health regarding the application of RFID technology in the medical and welfare sectors, and with the Highways Department on the use of LED lights.

48. Mr LAU Kong-wah said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) strongly supported the development of Science Park Phase 3. He agreed with Dr PAN Pey-chyou that R&D development was not an isolated business, but had important impacts on the daily lives of the general public. Mr LAU suggested that the Government should take the lead in utilizing R&D outcomes and technology commercialization, and arouse public interest in R&D. He suggested that exhibition galleries could be set up in the Science Park Phase 3 development to showcase the R&D products of its tenants and other research institutions.

49. CIT responded that the current procurement policy of the Government, following WTO provisions, did not generally facilitate government departments in utilizing local R&D results, as these were usually neither low-priced nor with proven track records. Nevertheless, ITC had initiated discussions with some government departments and made available some samples of R&D products to them for trial use. This would allow the R&D products to be tested in reality and useful feedback to be gauged. CIT further advised that ITC would review the operation of the five R&D Centres set up under the Innovation and Technology Fund with a view to formulating a clear strategy for the sustained development of R&D in Hong Kong. ITC would submit a paper to the Panel on Commerce and Industry in mid 2010 to provide information on the work of the R&D Centres including the commercialization of R&D results.

50. As regards arousing public interest in R&D, CIT advised that more activities would be organized in the coming year to stimulate and sustain youngsters' interest in R&D. The Administration would also step up publicity efforts to further

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enhance the utilization rate of Charles K. Kao Auditorium for student activities. Chairman/HKSTPC added that as part of its annual innovation festival, HKSTPC would launch a series of events in November/December 2010 to publicize the work of HKSTPC in innovation and technology. CEO/HKSTPC advised that HKSTPC planned to organize more community activities in Science Park to sustain the momentum generated by the opening of the new education centre by the Hong Kong Federation of Youth Groups, when more students would participate in workshops held in Science Park.

Registration of patents for R&D products and services

51. Mr LAU Kong-wah said that it was the trend that local R&D innovations were being acquired by overseas companies, and he suggested that there should be an independent patent registration system for R&D innovations in Hong Kong, and also future R&D outcomes developed jointly with the Mainland. CIT advised that intellectual property was a complex matter, and ITC would set up a committee to examine related issues with reference to the operational experience of the five R&D centres, and with advice from the Intellectual Property Department.

52. Ms Cyd HO expressed concern about the sustainability of Hong Kong's uniqueness for collaboration in innovation and technology with the Mainland in the four areas referred to in paragraph 12(b) in the Administration's paper. Taking Dupont as an example, she pointed out that since Shenzhen was a manufacturing base, Shenzhen might even take over the research work from Hong Kong in future. Moreover, global corporations such as Dupont already had a robust capital base and might not need the financing services in Hong Kong. Furthermore, Hong Kong had not yet set up an independent registration system for standard patents.

53. CIT said that though Hong Kong had constraints in developing into a manufacturing base for R&D items, Hong Kong was relatively strong in research work, particularly high-end research. Moreover, Hong Kong also had an edge in developing/promoting innovation and technology, with its intellectual property rights protection regime, rule of law, good business environment and open market system. Hong Kong also had a unique strength in attracting internationally renowned R&D talents to sustain the growth of R&D work in Hong Kong. CIT remarked that it was a win-win situation for Hong Kong and the Mainland to collaborate in innovation and technology, with Hong Kong focusing on research and the Mainland focusing on production.

54. Ms Cyd HO noted that the Ministry of Science and Technology of the Mainland agreed in 2009 to the setting up of seven more Partner State Key Laboratories (SKLs) in five local universities, bringing the total number of Partner SKLs in Hong Kong from five to twelve. She sought details about the setting up of Partner SKLs in Hong Kong.

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55. CIT said that in mapping out the blueprint for promoting innovation and technology to become one of Hong Kong's industries, Hong Kong needed more young researchers to join the R&D labour force, and to attract overseas scientists and researchers to live and work in Hong Kong. The Deputy Commissioner for Innovation and Technology advised that the SKL Scheme was administered by the Ministry of Science and Technology to recognize the outstanding research achievements of universities in the Mainland. Currently, there were about 200 SKLs in the Mainland. The Ministry encouraged the key universities in the Mainland to form partnership with universities in Hong Kong with the same areas of research excellence. Under the partnership scheme, five Partner SKLs had been set up in three universities in Hong Kong last year, namely the University of Hong Kong, the Chinese University of Hong Kong, and the City University of Hong Kong. The research scope included oncology, infection, neurology, agriculture, etc. The operating costs of the Partner SKLs in Hong Kong were provided through the grants of the universities concerned. With the setting up of another seven Partner SKLs this year, there would be a total of 12 Partner SKLs in five universities in Hong Kong.

Government's expenditure on R&D

56. Mr CHAN Kin-por urged the Administration to plan ahead for the further development of Science Park beyond Phase 3. Noting that the R&D expenditure in Hong Kong in 2008 was equivalent to 0.73% of its GDP, the lowest among the neighbouring economies of Singapore, Taiwan and Japan, he enquired about the Administration's plans or targets to increase the R&D expenditure in Hong Kong.

57. CIT advised that following the endorsement of "innovation and technology" by the Task Force on Economic Challenges as one of the six new priority economic areas for development, the Administration planned to further increase Hong Kong's R&D expenditure by enhancing the hardware and software infrastructure. CIT pointed out that although there had been increases in the R&D investment from the business sector in recent years, the proportion of private investment only reached about 50% of the total R&D expenditure, which was still lower than the level in many developed countries. She hoped that the proportion of private investment could be raised to 70% of the total R&D expenditure. To attain this target, ITC had reviewed the assessment mechanism of the ITF to facilitate collaboration with the industry, and initiated discussions with the tertiary institutions on fostering applied research. She informed members that the Research and Development Cash Rebate Scheme, which aimed to encourage private sector investment in R&D, was well received since its launch on 1 April 2010.

Transparency of HKSTPC's Board meetings

58. In response to Mr Abraham SHEK's request for opening up the board meetings of HKSTPC for public observation, Chairman/HKSTPC said that he agreed to enhancing transparency of the board's deliberations. CIT explained that as matters of commercial nature, such as rental matters in Science Park, were discussed at the



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board meetings, the current arrangement did not provide for opening up the meetings for public observation. She nevertheless undertook to follow up member's suggestion and report to the relevant Panel and FC in due course.

59. The Chairman put the item to vote. The Committee approved the proposals.

**Item No. 4 - FCR(2010-11)4**

**CAPITAL WORKS RESERVE FUND**

**HEAD 710 – COMPUTERISATION**

**Student Financial Assistance Agency**

**New Subhead “Implementation of the Integrated Student Financial Assistance System”**

60. The Chairman advised that the Committee's approval was sought for the creation of a new commitment of \$65.371 million for implementing the Integrated Student Financial Assistance System (ISFAST) by the Student Financial Assistance Agency (SFAA) to replace the existing computer systems to improve its services. The Panel on Education had considered the proposal at its meeting on 18 March 2010.

61. Ms Cyd HO, Chairman of the Panel on Education, reported that while Panel members indicated support in principle to the proposal, they expressed the following concerns –

- (a) whether the implementation of ISFAST would ensure correctness and completeness of information provided by applicants and could rectify the deficiencies of the existing systems;
- (b) the availability of opportunities for local firms to participate in the project; and
- (c) whether the arrangement of using information provided by an applying family for various schemes administered by SFAA and in relation to different family members after the implementation of ISFAST would give rise to concerns about personal data privacy protection.

62. Ms Cyd HO added that the Administration had provided a written response (LC Paper No. CB(2)1367/09-10(01)) after the Panel meeting setting out the views of the Department of Justice (DoJ) and the Office of the Privacy Commissioner for Personal Data (PCPD) on the personal data privacy issue.

Data privacy

63. The Under Secretary for Education (USEd) said that according to the advice of DoJ, SFAA, being the data collector/user, would need to comply with the requirements under the relevant data protection principles stipulated in Schedule 1 to the Personal Data (Privacy) Ordinance (Cap. 486). The Office of PCPD suggested that SFAA should consider incorporating certain personal data protection requirements in the service agreement with the IT contractor responsible for developing ISFAST. The Office supported SFAA's plan to conduct a Privacy Impact Assessment before ISFAST commenced operation, and suggested that SFAA should incorporate an audit requirement as a provision in the future Code of Practice that governed the operation of ISFAST.

Expected benefits derived from the implementation of ISFAST

64. Ms Audrey EU asked whether there would be enhanced efficiency in student loans recovery after the implementation of ISFAST. USEd advised that the Administration expected that the efficiency in the assessment of the applications under various student financial schemes and the recovery of student loans would be enhanced with the implementation of ISFAST. The Controller, SFAA (C(SFAA)) advised that a number of functions, such as record tracking and case management, would be incorporated into ISFAST to enhance efficiency in administering loan repayment and recovery. This could facilitate the monitoring of loan default cases and the taking of timely legal recovery actions. ISFAST would also automate the procedures for loan repayment, including the issuance of loan repayment notices and the calculation of loan amounts, etc.

65. Ms Starry LEE said that Members belonging to DAB supported the funding proposal and urged the Administration to expedite the delivery of ISFAST. Noting that phase 3 of ISFAST was scheduled for completion in January 2016, she expressed concern about the progress in loan recovery during the transitional period. C(SFAA) advised that since the existing six core scheme-based computer systems did not support data-sharing amongst the sections/systems within SFAA, much staff effort had to be spent on collecting data from other systems in respect of the same students. Nevertheless, SFAA had already taken active steps to expedite the student loan recovery process by increasing the staffing provision, streamlining the work procedures and strengthening the existing computer systems.

66. Ms Audrey EU asked how SFAA would handle cases involving changes in household circumstances with the implementation of the household-based application system supported by ISFAST. She also enquired whether the data of an applying family would be shared with other government departments.

67. USEd explained that under the current arrangements, SFAA would share data with other government departments in paper format when necessary. For

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example, SFAA would refer student loan default cases to DoJ for taking legal recovery actions, and if necessary, might verify/cross-check applicants' information with other government departments. C(SFAA) advised that with the implementation of ISFAST, cases involving divorced parents and changes in children custody arrangements could be processed faster, as processing applications of a household using a single system would obviate the need to cross-check data between different computer systems within SFAA.

68. Ms Cyd HO asked if the risk-profiling of applications was to detect inaccurate information or to assess the loan repayment capability of applicants. She considered it inappropriate for SFAA to reject applications for financial assistance because of the assessed low repayment ability of applicants.

69. USEd and C(SFAA) advised that the Administration hoped to minimize the possibility of overpayment of assistance to applicants through the development of an enhanced inter-departmental data-matching system. Risk-profiling was carried out to detect inaccurate and incomplete information in applications. It was not aimed at assessing the loan repayment capability of applicants.

Organization re-structuring of SFAA

70. Ms Starry LEE noted that there would be deletion of posts in SFAA following the organization restructuring of SFAA in tandem with the implementation of ISFAST. She enquired about the arrangements for these surplus staff. USEd and C(SFAA) advised that following the streamlining of work procedures with the implementation of ISFAST, 38 posts of various ranks in SFAA would be deleted. The staff concerned would either be internally re-deployed to other posts in SFAA or released after the expiry of the existing employment contracts. C(SFAA) emphasized that the 38 posts would only be deleted after the implementation of the new system. In the interim, SFAA would need additional manpower resources to develop ISFAST.

71. Noting that SFAA would be re-organized with the implementation of ISFAST, Ms Cyd HO asked whether the re-organization was simply based on the business processes designed for the new computer system or based on the findings of a comprehensive organizational review. USEd advised that the Administration had conducted a detailed business process review in mapping out the proposed re-structuring of SFAA. There had been continuous increase in the workload of SFAA in recent years, and with the introduction of new financial assistance schemes from time to time, SFAA had set up new sections to administer the schemes. There was a need for SFAA to change from the scheme-based operation mode to a function-based operation mode to enhance its services and efficiency, and this change would need to be supported by the implementation of ISFAST.

Staffing provision in SFAA for handling complaint/appeal cases

72. Ms Cyd HO believed that with the enhancement of the vetting function after the implementation of ISFAST, the number of cases with inaccurate information detected was bound to increase. Coupled with the possibility of hiccups in the initial phase of the implementation of the system, the number of appeals and complaints against SFAA's vetting results would likely increase. She was concerned whether SFAA would have sufficient manpower for handling the complaint and appeal cases. USEd responded that since SFAA had been cross-checking the applicants' information in different systems under the current practice, he did not foresee a sudden increase in the number of complaint/appeal cases. As at present, SFAA would take appropriate and timely actions to handle cases with incomplete or inaccurate information after the implementation of ISFAST. C(SFAA) explained that SFAA would study every case of complaint/appeal against application results. In response to the Chairman's further enquiry, USEd and C(SFAA) affirmed that the Administration would monitor the situation and consider SFAA's manpower needs for handling appeals/complaints as appropriate.

Other concerns

73. Ms Audrey EU asked if there would be electronic waste produced with the implementation of ISFAST, and if so, what measures would be taken to handle the waste. The Senior Systems Manager (Information Technology Management Unit) advised that SFAA would follow the relevant guidelines issued by the Government Logistics Department and the Office of the Government Chief Information Officer in arranging proper disposal of existing computer systems and handling of information stored in the computer hard disks. Specifically, SFAA would de-magnetize the hard disks to permanently remove the data stored in the computer systems.

74. Ms Starry LEE expressed concern that the development of ISFAST would delay the review of the various financial assistance schemes administered by SFAA. C(SFAA) responded that the review of the non-means tested loan schemes had already commenced and SFAA would closely monitor the staffing situation to ensure that the review would not be affected by the development of ISFAST.

75. The Chairman put the item to vote. The Committee approved the proposals.

**Item No. 5 - FCR(2010-11)5**

**CAPITAL INVESTMENT FUND  
HEAD 965 – ASIAN DEVELOPMENT BANK  
Subhead 101 Shares in Asian Development Bank**

76. The Chairman advised that the item was to seek the Committee's acceptance of the financial implication, estimated at \$4,660.4 million, of the subscription by Hong Kong to the Fifth General Capital Increase (GCI V) of the Asian Development Bank (ADB); and the Committee's approval for an increase in the financial commitment for subscription to shares in the ADB from \$87.69 million by \$146.0 million to \$233.69 million to provide for the 4% paid-in portion of the GCI V.

77. At the invitation of the Chairman, Mr CHAN Kam-lam, Chairman of the Panel on Financial Affairs, reported that the Panel discussed on 8 April 2010 the proposed arrangements for Hong Kong's subscription to the GCI V of the ADB, and that Panel members raised the following concerns/questions: –

- (a) Hong Kong's representation in ADB affairs;
- (b) the circumstances under which members of ADB would have to pay for the callable shares; and
- (c) whether ADB would take into account the gender equality factor in granting loans to its members.

Mr CHAN further said that the Administration had responded to members' concerns at the meeting, and Panel members generally supported the proposed subscription arrangements.

78. The Chairman put the item to vote. The Committee approved the proposals.

79. The meeting was adjourned at 5:10 pm.