

立法會
Legislative Council

LC Paper No. FC73/14-15
(These minutes have been
seen by the Administration)

Ref : CB1/F/1/1

Finance Committee of the Legislative Council

Minutes of the 28th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 4 July 2014, at 8:10 pm

Members present:

Hon NG Leung-sing, SBS, JP (Chairman)
Hon Emily LAU Wai-hing, JP (Deputy Chairman)
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, JP
Hon CHAN Hak-kan, JP
Hon CHAN Kin-por, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon IP Kwok-him, GBS, JP
Hon Alan LEONG Kah-kit, SC
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin
Hon WU Chi-wai, MH

Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, JP
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Cyd HO Sau-lan, JP
Dr Hon LAM Tai-fai, SBS, JP
Dr Hon LEUNG Ka-lau
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung

Hon Claudia MO
Hon James TIEN Pei-chun, GBS, JP
Hon Frankie YICK Chi-ming
Hon CHAN Han-pan, JP
Dr Hon KWOK Ka-ki
Hon SIN Chung-kai, SBS, JP
Hon TANG Ka-piu, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Public officers attending:

Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Eddie NG, SBS, JP	Secretary for Education
Ms Pecvin YONG Pui-wan	Acting Deputy Secretary for Education (1)
Ms Josephine KEA Chi-shun	Senior Assistant Executive Director (Headquarters Division 2), Vocational Training Council
Mrs Deanna TO	Assistant Executive Director (Headquarters Division 2), Vocational Training Council
Mr John LEE Ka-chiu, PDSM, PMSM, JP	Under Secretary for Security
Mrs Millie NG KIANG Mei-nei	Principal Assistant Secretary for Security (E)
Mr LAM Man-wing	Assistant Commissioner of Police (Support)
Mr LUI Hon-kwok	Deputy Regional Commander (New Territories South), Hong Kong Police Force
Mr CHAN Yun-kam	Assistant Divisional Commander (Operations) (Tsim Sha Tsui Division), Hong Kong Police Force

Mr Philip YUNG, JP
Miss Rosanna LAW, JP
Mr Andrew KAM

Miss Linda CHOY

Mr Damien LEE

Commissioner for Tourism
Deputy Commissioner for Tourism
Managing Director, Hong Kong
Disneyland Resort
Vice President, Public Affairs, Hong
Kong Disneyland Resort
Vice President, Operations, Hong
Kong Disneyland Resort

Clerk in attendance:

Mr Andy LAU

Assistant Secretary General 1

Staff in attendance:

Mr Jimmy Y T MA, JP
Ms Connie FUNG
Mr Derek LO
Mr Daniel SIN
Mr Ken WOO
Miss Queenie LAM
Mr Frankie WOO
Ms Christy YAU

Legal Adviser
Senior Assistant Legal Adviser 1
Chief Council Secretary (1)5
Senior Council Secretary (1)7
Senior Council Secretary (1)5
Senior Legislative Assistant (1)2
Senior Legislative Assistant (1)3
Legislative Assistant (1)7

Action

Item No. 1 – FCR(2014-15)4

**HEAD 156 – GOVERNMENT SECRETARIAT : EDUCATION
BUREAU**

Subhead 700 General Non-recurrent

**New Item "Grant to the Vocational Training Council for implementing
the Pilot Training and Support Scheme"**

The meeting continued to discuss the handling of the proposed motions from Mr WONG Yuk-man to be moved under paragraph 37A of the Finance Committee Procedure ("FCP").

2. Mr WONG Yuk-man said that he would not consolidate his proposed motions in the way as suggested by the Chairman, as he considered that his motions as presented were reasonable and reflected his views on the subject under deliberation. Mr WONG said that while he acknowledged that the Committee could not possibly deal with all of his 14 000-odd motions, he considered that the Chairman should at least allow a reasonable number of his motions to be put to the Committee for consideration.

3. While he did not agree with the Chairman's approach, Mr WONG said that he did not wish his case to be quoted as a precedent of the Committee in handling future motions moved under paragraph 37A of FCP, and that he did not intend to block the funding proposal which would provide vocational training opportunities for young people. Against these considerations, Mr WONG said he would withdraw all his motions.

4. The Chairman said that, now that Mr WONG Yuk-man had withdrawn his motions, the written ruling on handling these motions would not be necessary and would not be issued.

5. The meeting resumed deliberation on the agenda item.

6. There being no further questions from members on the funding proposal, the Chairman put the item to vote. At the request of members, the Chairman ordered a division and the division bell was rung for five minutes. The Chairman announced that 42 members voted in favour of, and none against the item. The voting results of individual members present and voting were as follows –

For:

Mr CHAN Kam-lam
Ms Emily LAU Wai-hing
Mr Frederick FUNG Kin-kee
Prof Joseph LEE Kok-long
Mr WONG Ting-kwong
Mr CHAN Hak-kan
Dr Priscilla LEUNG Mei-fun
Mr WONG Kwok-kin
Mr Alan LEONG Kah-kit
Mr WONG Yuk-man
Mr WU Chi-wai
Mr Gary FAN Kwok-wai
Mr Charles Peter MOK
Dr Kenneth CHAN Ka-lok

Mr LEUNG Yiu-chung
Mr TAM Yiu-chung
Mr WONG Kwok-hing
Mr Jeffrey LAM Kin-fung
Ms Starry LEE Wai-king
Mr CHAN Kin-por
Mr CHEUNG Kwok-che
Mr IP Kwok-him
Mr Albert CHAN Wai-yip
Mr Steven HO Chun-yin
Mr YIU Si-wing
Mr MA Fung-kwok
Mr CHAN Chi-chuen
Miss CHAN Yuen-han

Mr LEUNG Che-cheung
Miss Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung
Dr Helena WONG Pik-wan
Dr Elizabeth QUAT
Mr POON Siu-ping
Ir Dr LO Wai-kwok
(42 members)

Mr Kenneth LEUNG
Mr KWOK Wai-keung
Dr Fernando CHEUNG Chiu-hung
Mr IP Kin-yuen
Mr Martin LIAO Cheung-kong
Dr CHIANG Lai-wan
Mr Tony TSE Wai-chuen

7. The Chairman declared that the Committee approved the item.

Item No. 2 – FCR(2014-15)5

WRITE-OFF OF A JUDGMENT DEBT

8. The Chairman said that the item sought the Committee's approval of the write-off of an irrecoverable debt totalling \$824,344.47 owed to the Government by a former Supplies Supervisor II responsible for handling case property of the Hong Kong Police Force ("HKPF").

Motion to adjourn discussion of the item

9. Mr Albert CHAN raised to propose a motion to adjourn the discussion of FCR(2014-15)5 under paragraph 39 of FCP.

10. The Chairman directed that members' speaking time on the question should not exceed three minutes. He then invited Mr Albert CHAN to speak, followed by other members.

11. Mr Albert CHAN explained the rationale for moving a motion to adjourn discussion on the item. He criticized that the operation of HKPF, especially in handling recent mass rallies and demonstrations, had demonstrated a lack of integrity. He said it was appropriate to adjourn discussion on the item to allow more time for members to understand the operation of HKPF in order to facilitate their deliberation on the item.

12. Mr CHAN Chi-chuen spoke in support of the motion. Mr Jeffrey LAM, Mr YIU Si-wing and Mr WONG Kwok-hing spoke against the motion. Mr Albert CHAN made a concluding remark.

13. The Chairman put the motion to vote. At the request of members, the Chairman ordered a division and the division bell was rung for five minutes. The Chairman announced that three members voted in favour of

and 32 members voted against the motion. The voting results of individual members were as follows –

For:

Mr Albert CHAN Wai-yip
Mr CHAN Chi-chuen
(3 members)

Mr Gary FAN Kwok-wai

Against:

Mr CHAN Kam-lam
Mr TAM Yiu-chung
Mr WONG Kwok-hing
Mr WONG Ting-kwong
Mr CHAN Hak-kan
Dr Priscilla LEUNG Mei-fun
Mr IP Kwok-him
Mr WU Chi-wai
Mr MA Fung-kwok
Dr Kenneth CHAN Ka-lok
Miss Alice MAK Mei-kuen
Mr Dennis KWOK
Dr Helena WONG Pik-wan
Dr Elizabeth QUAT
Mr POON Siu-ping
Mr Dr LO Wai-kwok
(32 members)

Ms Emily LAU Wai-hing
Mr Frederick FUNG Kin-kee
Mr Jeffrey LAM Kin-fung
Ms Starry LEE Wai-king
Mr CHAN Kin-por
Mr WONG Kwok-kin
Mr Steven HO Chun-yin
Mr YIU Si-wing
Mr Charles Peter MOK
Mr Kenneth LEUNG
Mr KWOK Wai-keung
Mr Christopher CHEUNG Wah-fung
Mr IP Kin-yuen
Mr Martin LIAO Cheung-kong
Dr CHIANG Lai-wan
Mr Tony TSE Wai-chuen

14. The Chairman declared that the motion was negatived.

15. The meeting resumed discussion on the item.

16. Mr IP Kwok-him, Chairman of the Panel on Security, reported that the subject was discussed at the Panel meeting held on 7 February 2014. Panel members noted that the item involved theft of case exhibits by a former Supplies Supervisor II ("SSII") in HKPF. Since then, HKPF had reviewed its property control procedure and monitoring mechanism, and had implemented preventive and improvement measures. Panel members had no objection to the Administration's proposal to write off the irrecoverable debt.

Financial and accounting arrangements on write-off

17. Mr Charles MOK commented that the theft of Police property was a management issue. He asked if HKPF should absorb, within its departmental

expenses, \$500,000, being the maximum amount in the write-off that the Financial Secretary ("FS") could authorize under delegated authority from the Finance Committee ("FC"). The Administration should only seek FC's approval of the write-off for the balance of \$324,344.47.

18. US for S said that members were asked to approve a write-off of an irrecoverable debt, which was an accounting arrangement required under the Public Finance Ordinance (Cap. 2) ("PFO"), and did not involve extra expenditure from the General Revenue Account.

19. Mr CHAN Chi-chuen asked about the implications if the Committee did not approve the write-off of the debt and whether there were precedents of write-off involving fraud or negligence.

20. Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS(Tsy)") said that under section 38 of PFO, FS could only write off losses of public moneys, stores, etc., in cases involving fraud or negligence under conditions specified by FC. Based on the prevailing FC ruling, FS had delegated authority to deal with such cases only where the loss involved did not exceed \$500,000. In the past four terms of the Legislative Council, there were only two cases (including the current item) where the Administration sought FC's approval of write-off. PS(Tsy) stressed that both cases were isolated incidents and the Administration had exhausted all possible means but failed to recover the debt owed to the Government. If the proposal did not receive FC's approval, the Administration would need to seek the Committee's approval again as the Government had no power to effect the write-off.

21. Mr CHAN Chi-chuen asked if the amount of debt required to be written off would increase if FC's approval was delayed. US for S replied that the amount of debt owed to the Government required to be written off amounted to \$824,344.47. The amount included the judgment debt and the interest calculated up to 26 August 2008, being the date the concerned debtor, i.e. the subject SSII, code named "L", was adjudged bankrupt. The value of the debt would not change regardless of when FC approved the write-off.

22. Mr LEUNG Yiu-chung asked if the Administration would keep on submitting the write-off proposal to FC if the Committee repeatedly rejected the proposal. PS(Tsy) said that according to section 38 of PFO, FS could only write off losses of public moneys, stamps, securities or store in cases which involved fraud or negligence under conditions, exceptions or limitations as specified by FC. In 1989, FC authorized FS to write offs cases involving fraud or negligence up to \$500,000. For L's case, FS could not write off the debt owed to Government without FC's approval.

23. PS(Tsy) surmised that FC might not approve a write-off proposal if members considered that the Administration had erred in facts as presented in the discussion paper, or where supplementary information was necessary to facilitate members' deliberation before taking a decision on the proposal. The Administration would address the reason of FC's not approving the proposal and might make a fresh proposal in such a way as might make it acceptable to the Committee.

24. Mr CHAN Chi-chuen noted that the Administration consulted the Panel on Security on the write-off proposal in February 2014 while L was already adjudged bankrupt in August 2008, and by which date the amount of judgment debt and interest accrued were fixed. Mr CHAN queried the reason for the long lead time taken by the Administration to consult the Panel on the write-off. US for S replied that L's case was concluded in August 2012 when he was discharged of the bankruptcy order, which released him of all bankruptcy debt, including the judgment debt and interest owed to the Government. HKPF accordingly consulted relevant department on whether the debt would be considered irrecoverable and that write-off would be necessary. US for S added that advice was also sought from the Department of Justice to ascertain whether the write-off required FC's approval under section 38 of PFO.

25. Mr WU Chi-wai understood that an order of discharge would not release a bankrupt person from his debt owed to the Government. He asked on what basis L was released from the judgment debt in question. US for S said that the Government was one of L's creditors and the Official Receiver had confirmed that L had no asset available for distribution among his creditors. The Government had no other possible legal means to recover the debt from L.

26. Mr WU Chi-wai said that from his experience in handling requests for assistance from the public involving debts owed to the Government, he was not aware that one could be released of debts through a bankruptcy procedure. Mr WU asked how many similar write-offs had been approved in the past.

27. Deputy Secretary for Financial Services and the Treasury (Treasury) 1 ("DS(Tsy)1") said that FS could exercise the delegated authority from FC to authorize write-off of losses of public money, etc., in cases that involved fraud or negligence up to a ceiling of \$500,000. In 2011-2012, there were three such cases involving a total amount of \$70,000. In 2012-2013 and in 2013-2014, there were, respectively, one case and two cases involving \$60,000 and \$470,000. DS(Tsy)1 added that there were established

procedures that enabled Government departments to handle other types of write-offs.

28. In response to Mr WU Chi-wai, PS(Tsy) supplemented that the Inland Revenue Department had established procedure to recover tax payment in arrears. However, there were also cases where tax payment could not be recovered due to the bankruptcy of the taxpayer, and the debts had to be written off.

Integrity management in the Police Force

29. Dr Fernando CHEUNG said that HKPF should undertake thorough review to prevent recurrence of similar theft cases in future. Dr CHEUNG said that HKPF's integrity management should be implemented thoroughly within the Force, and he noted that HKPF had drawn up a set of procedural guidelines to establish a code of conduct for police officers to follow while on duty. Dr CHEUNG requested the Force to provide more information about the procedural guidelines and specific measures under the integrity management strategy.

30. Under Secretary for Security ("US for S") said that an integrity management committee had been set up in the Police Headquarters to steer the implementation of the integrity management measures. The committee was chaired by a Deputy Commissioner of Police and comprised Assistant Commissioners responsible for operations, human resources, police training, etc., as members. The Committee would launch publicity and education programmes among police officers, and would take proactive investigation into cases involving integrity issues. US for S added that integrity management committees were also established in each Police District; each committee was chaired by an officer at Chief Superintendent rank.

31. Mr Charles MOK asked if the behavioural guidelines included sanctions against political oppression of participants in mass rallies and demonstrations. US for S clarified that police officers maintained political neutrality in the discharge of their duties, and the question of political oppression did not arise.

32. Dr Fernando CHEUNG said that judging from the way the Police handled public demonstrations and mass rallies, the public began to have doubts about the Police's political neutrality. Dr CHEUNG suggested that the Police should draw up behavioural guidelines for police officers to observe strict political neutrality in the exercise of their duty. US for S responded that

police neutrality was a value upheld and was built up through police training and reinforced throughout their exercise of duties.

33. In response to Mr Charles MOK and Dr Fernando CHEUNG, US for S said that a summary of the behavioural guidelines could be provided to members for reference. Dr Fernando CHEUNG and Mr Gary FAN asked if HKPF could provide the full set of the behavioural guidelines rather than the summary, for members' reference. US for S undertook to provide the information after the meeting.

34. Dr Fernando CHEUNG noted that in manpower deployment within HKPF, formation commanders might make restricted posting arrangements for officers with potential conflict of interest, of doubtful integrity or in debt. Dr CHEUNG asked by what ways HKPF would discover that any police officer was in debt and how the Force evaluated the integrity of police officers.

35. US for S said that HKPF would be aware that a police officer was in debt when notified directly by his or her creditor. It was also possible that the officers concerned reported his financial situation to the Force when they approached the Force for assistance. The Force could also assess whether an officer had integrity problem from any previous case investigation on disciplinary matters. The information would be relevant for future manpower deployment, especially on duties involved in the handling of properties.

36. Mr LEUNG Yiu-chung asked if the scope of HKPF's integrity management measures also included promoting the values of integrity and honesty in serving the public. Mr LEUNG also asked what sanctions would be imposed for any breach of integrity by police officers. US for S confirmed that the integrity management measures and the behavioural guidelines applied to all aspects of police work. He added that a police officer who was under complaint for having breached police regulation might be required to attend a disciplinary hearing which would be conducted in a manner similar in some way to judicial process. Where the complaint was substantiated, the officer concerned would be subject to the appropriate disciplinary action. In case where criminal offence was involved, the officer concerned might be prosecuted according to the law.

37. In response to Mr LEUNG Yiu-chung, US for S said that complaints against any police officer should be lodged to the Complaints Against Police Office under the established procedure.

38. Mr CHAN Chi-chuen asked if the Administration would examine whether indicators should be introduced to evaluate the level of integrity of the

Police Force. US for S said that integrity management was one of the many improvement measures to enhance the good conduct of police officers.

39. Mr Gary FAN noted that the loss of case exhibits was discovered in 2003, and upon internal investigation, the Police concluded that an Executive Officer had allegedly failed to supervise L's duties properly and had failed to observe the proper checking procedures which gave chances to L to steal the property. Mr FAN also noted it was not until 2013 when the Police implemented an improvement measure to ensure that officers would expedite the handling of case property upon completion of an investigation. Mr Gary FAN queried why it took the Police Force ten years to introduce just one improvement measure.

40. US for S clarified that since the day following the incident, the responsibility for regulating the operation of the Property Office had been transferred to inspectorate officers across the board. Assistant Commissioner of Police (Support) supplemented that briefing sessions were also conducted for all the officers concerned reminding them of the proper procedures for handling and administering case property.

41. There being no further questions from members, the Chairman put the item to vote. At the requests of members, the Chairman ordered a division and the division bell was rung for five minutes. The Chairman said that 35 members voted in favour of, and three members voted against the item. The voting results of individual members were as follows –

For:

Mr CHAN Kam-lam
Mr TAM Yiu-chung
Mr WONG Kwok-hing
Mr Jeffrey LAM Kin-fung
Ms Starry LEE Wai-king
Dr Priscilla LEUNG Mei-fun
Mr WONG Kwok-kin
Mr Michael TIEN Puk-sun
Mr WU Chi-wai
Mr MA Fung-kwok
Dr Kenneth CHAN Ka-lok
Miss Alice MAK Mei-kuen
Mr Dennis KWOK
Dr Fernando CHEUNG Chiu-hung
Mr IP Kin-yuen
Mr Martin LIAO Cheung-kong

Ms Emily LAU Wai-hing
Mr Frederick FUNG Kin-kee
Prof Joseph LEE Kok-long
Mr WONG Ting-kwong
Mr CHAN Kin-por
Mr CHEUNG Kwok-che
Mr IP Kwok-him
Mr Steven HO Chun-yin
Mr YIU Si-wing
Mr Charles Peter MOK
Miss CHAN Yuen-han
Mr KWOK Wai-keung
Mr Christopher CHEUNG Wah-fung
Dr Helena WONG Pik-wan
Dr Elizabeth QUAT
Mr POON Siu-ping

Dr CHIANG Lai-wan
Mr Tony TSE Wai-chuen
(35 members)

Ir Dr LO Wai-kwok

Against:

Mr Albert CHAN Wai-yip
Mr CHAN Chi-chuen
(3 members)

Mr Gary FAN Kwok-wai

42. The Chairman declared that the Committee approved the item.

Item No. 3 – FCR(2014-15)6

CAPITAL INVESTMENT FUND

HEAD 973 – TOURISM

Subhead 101 Equity in Hongkong International Theme Parks Limited

Subhead 102 Loan in Hongkong International Theme Parks Limited

43. The Chairman advised that the item sought the Committee's approval of an increase in the Government's equity in the Hong Kong International Theme Parks Limited ("HKITP") through the conversion of part of an existing loan from the Capital Investment Fund ("CIF") to HKITP, and the provision of a new loan from CIF to HKITP, as part of the financial arrangements to enable the company to implement a new hotel development project at the Hong Kong Disneyland ("HKDL").

Motion to adjourn discussion of the item

44. Mr Albert CHAN raised to propose a motion to adjourn the discussion of FCR(2014-15)6 under paragraph 39 of FCP.

45. The Chairman directed that members' speaking time on the question should not exceed three minutes. He then invited Mr CHAN to speak, followed by other members.

46. Mr Albert CHAN said that it was not appropriate for the Chairman to preside over the Committee's deliberation on the item given his possible conflict of interest with relevant stakeholders of the project.

47. Mr CHAN Chi-chuen supported the motion and said that there were many terms and conditions in the contract between the Walt Disney Company ("TWDC") and the Government that had not been explained clearly to the public. Mr Gary FAN also supported the motion. He said that there were

other more pressing items on the agenda that affected people's livelihood than the funding proposal under deliberation. Adjourning the item would allow these items to be handled in higher priority.

48. The Chairman put the motion to vote. At the request of members, the Chairman ordered a division and the division bell was rung for five minutes. The Chairman announced that three members voted in favour of and 30 voted against the motion. The voting results of individual members were as follows –

For:

Mr Albert CHAN Wai-yip
Mr CHAN Chi-chuen
(3 members)

Mr Gary FAN Kwok-wai

Against:

Mr CHAN Kam-lam
Mr TAM Yiu-chung
Mr WONG Kwok-hing
Mr WONG Ting-kwong
Mr CHAN Kin-por
Mr WONG Kwok-kin
Mr Michael TIEN Puk-sun
Mr WU Chi-wai
Mr MA Fung-kwok
Dr Kenneth CHAN Ka-lok
Mr KWOK Wai-keung
Dr Helena WONG Pik-wan
Dr Elizabeth QUAT
Mr POON Siu-ping
Ir Dr LO Wai-kwok
(30 members)

Ms Emily LAU Wai-hing
Mr Frederick FUNG Kin-kee
Mr Jeffrey LAM Kin-fung
Ms Starry LEE Wai-king
Dr Priscilla LEUNG Mei-fun
Mr IP Kwok-him
Mr Steven HO Chun-yin
Mr YIU Si-wing
Mr Charles Peter MOK
Miss Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung
Mr IP Kin-yuen
Mr Martin LIAO Cheung-kong
Dr CHIANG Lai-wan
Mr Tony TSE Wai-chuen

49. The Chairman declared that the motion was negatived.

50. The meeting resumed discussion on the item.

51. Mr James TIEN, Chairman of the Panel on Economic Development, said that the Panel discussed the funding proposal on 24 February 2014. Panel members had no objection to the proposal of providing a loan to HKITP for the implementation of a third hotel development in HKDL and the proposed loan-to-equity conversion.

Justification for a Government loan to HKITP

52. Ms Emily LAU noted that the Administration envisioned that on-going expansion of HKDL would be critical to its continued success as the premier destination in the Asia Pacific Region. Ms LAU asked by what criteria HKDL was identified as the premier tourist destination in the Asia Pacific Region given the rapid proliferation of choices for leisure as well as new or expanded theme parks in neighbouring markets. Ms Emily LAU also noted that as HKDL was beginning to gain profits from its operation, it should finance its own facility expansion. She queried the need for the Administration to provide loans to facilitate the implementation of the new hotel development.

53. Managing Director, Hong Kong Disneyland Resort ("MD, HKDR") explained that HKDL had always recorded a high penetration rate among visitors from the region, notably Southeast Asia. In 2013, HKDL received 7.4 million visitors of whom more than 20% were tourists from Southeast Asian countries. For every ten visitors to Hong Kong, four would visit HKDL. MD, HKDR added that, according to a consultancy study, in 2013, HKDL was ranked fifth in Asia in terms of patronage rate, after three theme parks in Japan and the Hong Kong Ocean Park. MD, HKDR said that it was reasonable to describe HKDL as the premier tourist destination in the Asia Pacific Region.

54. Commissioner for Tourism ("C for T") supplemented that the competitive landscape among different tourist destinations in the Asia Pacific Region had underlined the importance for HKDL to continue to develop new and distinctive elements. C for T added that the proposed conversion of the existing Government loan into equity would enable the Government to maintain its position as the majority shareholder of HKITP.

55. Dr Fernando CHEUNG said that Members belonging to the Labour Party did not support the proposal. He commented that the proposed hotel development was a waste of public money. The Administration's investment in HKDL so far had exceeded \$20 billion, but there was no prospect of break-even. Dr CHEUNG said that the profits generated from HKDL in recent years were small compared with the large amount of public funds that had been put into the theme park. Dr CHEUNG queried why the Administration intended to commit such a large investment in the project. Dr CHEUNG also asked about the amount of public revenue forgone had the Administration deployed the resources to other investments.

56. C for T explained that the proposed financial arrangement for the development of the proposed third hotel in HKDL was a result of intensive negotiations between the Administration and TWDC. The conversion of loan to equity in HKITP would enable the Government to maintain its major shareholder status in the joint venture while reducing the long-term financial burden of HKDL in undertaking future expansion projects.

Market positioning of the proposed third hotel in HKDL

57. Mr Gary FAN said that, according to the Assessment Report on Hong Kong's Capacity to Receive Tourists released by the Administration in January 2014, high tariff hotels tended to have lower occupancy rates. Mr FAN queried whether the proposed new hotel development project at HKDL, at an investment of \$4.3 billion, would target only high-end customers, and if so, whether the expected occupancy rate would make the project viable.

58. C for T said that the proposal was consistent with the Administration's objective to increase the supply of hotel rooms to cater for the strong growth in visitor arrivals and demand for hotel accommodation. C for T added that the proposed hotel would be positioned between the existing two hotels in HKDL in terms of room rates. MD, HKDR supplemented that in the past three years, the two hotels in HKDL had consistently recorded high occupancy rates of over 90% on average. Visitors of HKDL chose to stay in HKDL hotels because many considered that a stay at a Disney hotel was an integral part of a Disney resort experience.

Justification for the proposed third HKDL hotel

59. Mr Gary FAN said that a high proportion of tourists in Hong Kong were Mainland visitors under the Individual Visit Scheme ("IVS"). As there was now a strong voice in the community for reduction in the number of IVS visitors, and that the Administration was examining the matter with the Central Government, Mr FAN queried if the proposed hotel project was risky due to the possibility of a drastic reduction in the number of Mainland visitors in the event that the Central Government adjusted the IVS policy. C for T said that it was necessary to continue increasing Hong Kong's capacity to receive visitors.

60. Mr James TIEN added that the Liberal Party also considered it necessary to increase Hong Kong's capacity to receive tourists coming to Hong Kong, especially those who stayed overnight during their visits. Increasing hotel supply was an important measure to achieve the objective. Mr James TIEN said that the business sector having experience in hotel development

projects considered that the proposed budget of \$4.3 billion reasonable. Mr TIEN also considered it more attractive to hold equity in a company rather than loans. He therefore agreed with the Administration's proposal to convert the existing loan under CIF to HKITP into equity.

61. Mr WU Chi-wai noted that with the completion and commissioning of the proposed third hotel in HKDL, the number of hotel rooms in HKDL would increase by 75% from 1 000 to 1 750. However, the Administration expected that, with the complete development of the several parcels of land available for expansion, HKDL's annual capacity could increase to over 10 million, as compared with the park attendance rate of 7.4 million in 2013. Mr WU queried that the increase in hotel supply was not consistent with the expected increase in HKDL's capacity.

62. Mr WU Chi-wai also asked the Administration to give an analysis of the proportion of overseas visitors and their spending pattern among the hotel patrons in HKDL hotels.

63. Mr Michael TIEN said that he did not agree that the quota for IVS visitors should be reduced. Instead, Mr TIEN suggested that there should be a cap on the number of visits to Hong Kong under the multiple entry arrangements, as most of these visitors came to Hong Kong on day-return trips and involved in parallel trading activities. The reduction of Mainland visitors under the multiple entry arrangement should then be offset by an increase of visitors from areas outside the Guangdong Province. As these tourists were likely to stay overnight during their visits to Hong Kong, more hotel rooms were necessary to meet their accommodation needs. The proposed third hotel development could facilitate the suggested fine-tuning of IVS and multiple-entry arrangement. Against these considerations, Mr Michael TIEN said that he would support the funding proposal.

Projected return of the proposed third HKDL hotel

64. Mr WU Chi-wai asked the Administration to provide the information about the expected internal rate of return of the proposed hotel development. Mr Michael TIEN and Dr Helena WONG raised a similar query. As HKDL showed an increasing trend of net profit since 2012, Mr WU asked if the Government's proposed conversion of loan to equity in HKITP was based on the expectation of a higher return from equity as compared with the interest income that could be generated from the loan to HKITP.

65. C for T said that the Administration was confident about the financial performance of HKDL and its contribution to Hong Kong's tourism development, and that both the theme park's profit and park attendance were expected to rise. The proposed hotel development and various new facilities would further enrich the number and variety of attractions and entertainment offerings at HKDL and boost park attendance and revenues.

66. MD, HKDR said that demand for hotel rooms at HKDL far exceeded supply at present and some 20% of customers were unable to book hotel rooms during the high seasons. It was expected that the number of visitors would continue to increase. As regards the internal rate of return, MD, HKDR said that while TWDC did not disclose its cost of capital, the average analyst estimate was 8% and the expectation on the third hotel was to deliver returns at or above that threshold.

67. In response to Dr Helena WONG, C for T advised that the Government's contributions to HKDL, including the reclamation and land cost, had been reflected in the Government's equity share of HKITP.

Expected contribution of the proposed third hotel to the economy

68. Mr YIU Si-wing supported the proposal. He asked the Administration to provide information on the contribution of HKDL to Hong Kong's economy. Mr Michael TIEN raised a similar query.

69. C for T said that in 2013, the operation of HKDL had brought more than \$11.6 billion in added value to the economy and 38 000 job opportunities to the employment market. The actual economic contribution of the proposed third hotel could only be evaluated after it was commissioned. C for T added that, taking the first eight years of operation together, the total value added generated by HKDL amounted to \$50.4 billion and considerable job opportunities had been provided to the tourism industry. It was estimated that the construction of the new hotel would also create 2 700 new job opportunities.

Possibility of cost overrun in the construction of the third hotel

70. Mr YIU asked whether the cost estimate of the proposed third hotel development had included provision to absorb any construction price fluctuation during construction to minimize cost overrun. C for T said that apart from having earmarked certain amount of fund for meeting contingent expenses, an amount of \$500 million had been reserved to buffer the construction cost fluctuation.

71. MD, HKDR explained that HKDML had proven records of being able to complete previous expansion projects within budget. Cost control measures include engaging separate surveyors and main and sub contractors to carry out independent cost evaluation. Furthermore, an amount of \$217 million had been earmarked for contingency expenditure.

Development contract between TWDC and the Government

72. Mr CHAN Chi-chuen noted that the Government had reached an in-principle agreement with TWDC to implement a new hotel development project at HKDL subject to the approval of FC. He asked whether the in-principle agreement had an expiry date so that if the current funding proposal was not approved by the expiry date, the in-principle agreement would become void.

73. C for T advised that there was no such expiry date for the in-principle agreement reached between the Government and TWDC. However, C for T said that further delay in the commencement of the hotel development project might incur extra expenditure as a result of a possible high rate of inflation in construction cost.

74. MD, HKDR said that both TWDC and the Government were keen to see the early commissioning of the proposed third hotel in HKDL. While both shareholders had not discussed any expiry date beyond which the in-principle agreement would lapse, MD, HKDR said that any delay in the construction schedule would have extra cost implications and would affect the commissioning date of the proposed hotel.

75. The Chairman said that there were still three members who had indicated their intention to speak but the meeting was near to the scheduled end time. The Chairman announced that the meeting would be adjourned and the Committee would continue to deliberate on the item at the next meeting.

76. The meeting was adjourned at 10:13 pm.