

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 87th meeting
held at Conference Room 1 of the Legislative Council Complex
on Tuesday, 12 July 2016, at 2:33 pm

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon CHAN Kam-lam, GBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, GBS, 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 Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP

Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH
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 Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
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
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS
Hon Alvin YEUNG Ngok-kiu

Members absent:

Dr Hon LAU Wong-fat, GBM, GBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon YIU Si-wing, BBS
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, 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 Alan SIU Yu-bun, JP	Director of Administration and Development, Department of Justice
Mr Wesley WONG Wai-chung, SC	Solicitor General, Department of Justice
Mrs Apollonia LIU LEE Ho-kei, JP	Deputy Director (Special Duty), Department of Justice
Ms Josephine CHEUNG Pui-lin	Principal Executive Officer (Special Duty), Department of Justice
Mr LEUNG Koon-kee, JP	Director of Architectural Services
Mr Frank WONG Tak-choi	Project Director (1), Architectural Services Department
Ms Caroline TANG Tsui-yee	Assistant Secretary for Development (Planning) 1
Ms Susanna SIU Lai-kuen	Executive Secretary (Antiquities and Monuments), Antiquities and Monuments Office
Mr LAU Wing-kit	Senior Heritage Officer (2), Antiquities and Monuments Office
Mr Nicholas YANG, JP	Secretary for Innovation and Technology
Mrs Millie NG KIANG Mei-nei	Deputy Secretary for Innovation and Technology

Ms Annie CHOI Suk-han, JP	Commissioner for Innovation and Technology
Mr Johann WONG Chung-yan, JP	Deputy Commissioner for Innovation and Technology

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Raymond SZETO	Council Secretary (1)6
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Yannes HO	Legislative Assistant (1)6

Action

**Item No. 3 – FCR(2016-17)64
RECOMMENDATION OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 11 JUNE 2016**

PWSC(2016-17)31

HEAD 703 – BUILDINGS

Government Offices – Intra-government services

118KA – Renovation works for the West Wing of the former Central Government Offices for office use by the Department of Justice and law-related organizations

The Chairman advised that the item sought the approval of the Finance Committee ("FC") of the recommendation of the Public Works Subcommittee ("PWSC") made at its meeting on 11 June 2016, i.e., the recommendation stated in PWSC(2016-17)31, for the upgrading of 118KA, entitled the renovation works for the West Wing of the former Central Government Offices ("CGO") for office use by the Department of Justice ("DoJ") and law-related organizations ("LROs"), to Category A at an estimated cost of \$1,078.9 million in money-of-the-day prices. Some members requested that the recommendation be voted on separately.

2. The Chairman declared that he was a remunerated consultant of the Munich Re.

Provision of office space for law-related organizations

3. Noting that the Administration would provide LROs with office space in the West Wing of the former CGO and the former French Mission Building ("FMB"), Mr WU Chi-wai enquired about the names of the LROs shortlisted and the estimated number of LROs that could be housed.

4. Solicitor General, Department of Justice ("SG/DoJ") responded that the Committee on Provision of Space in the Legal Hub ("the Committee") was responsible for the selection of LROs to be housed in the West Wing of the former CGO and the former FMB. In addition to the LROs that were currently sponsored by DoJ, the Committee would consider applications from other organizations that could meet the criteria, including mediation institutions, for moving into the West Wing of the former CGO and former FMB. The Administration would not disclose the list of the applicant organizations without their consent before the announcement of application results. An area of about 3 000 square metres ("sq m") would be provided in the West Wing of the former CGO for use by LROs. The number of organizations that could be housed would depend on the number of organizations that were successful with their applications, the size of space required by them and whether their justifications were valid.

5. Mr Alan LEONG enquired when the Administration would announce the assessment results and whether the results would be presented to the Panel on Administration of Justice and Legal Services for discussion.

6. SG/DoJ replied that the Committee had already held the selection meeting, but it was unable to disclose the schedule for announcement of selection results as it still had to mull over the information provided by the applicant organizations and check the exact amount of space that would be available in the former FMB for LROs. After the announcement of selection results, the Administration would arrange discussions with the Panel on Administration of Justice and Legal Services if the Panel considered it necessary.

7. Mr Alan LEONG said that the representatives of the Hong Kong Bar Association and the Law Society of Hong Kong who served as members of the Committee were appointed to it on a personal basis. He queried about the ability of these representatives to represent the views of their organizations, and doubted whether the Committee could allocate office space to LROs in a fair and efficient manner.

8. In response, SG/DoJ said that each of these two organizations nominated a member to serve on the Committee. Such an arrangement was made to avoid affecting the operation of the Committee by factors such as leadership changes in the two organizations or the possibility of the nominees being selected members of their executive committees. SG/DoJ added that when applications were invited for office space in the West Wing and the FMB, the Administration had made public the application guidelines and methods, as well as selection criteria, so as to help applicant organizations to submit their applications and provide justification for their applications, thereby ensuring that the application exercise was fair and transparent.

9. Mr Kenneth LEUNG noted that the Administration would provide office space to international arbitration institutions, but had no plan to rent out office space to local businesses, such as social enterprises. He enquired about the estimated rental incomes that could be generated from renting out part of the West Wing and FMB to LROs.

10. SG/DoJ replied that some of the LROs eligible for application for office space were currently in operation in Hong Kong and were renting their offices with subsidies from the DoJ. One of the significant purposes of this project was to create a Legal Hub by moving LROs to the West Wing and the former FMB. The DoJ would retain the current mode of operation and would conduct reviews from time to time. In deciding whether to charge rentals, it would take into consideration the financial status of the LROs, whether they were profit making, as well as their ability to bring arbitration cases unrelated to Hong Kong to the territory for settlement, thereby promoting the arbitration industry in Hong Kong.

11. Dr Fernando CHEUNG criticized the Administration for its failure to facilitate the operation of social enterprises with this project. He queried whether the entire office area of the Main, East and West Wings of the former CGO would be fully occupied by DoJ and LROs, leaving no space for use by social enterprises. He requested the DoJ to provide information about the gross floor area currently occupied by the DoJ in the Main Wing and East Wing of the former CGO, and the floor area to be occupied by it in the West Wing.

12. SG/DoJ said in reply that the aim of the project was to provide office space for the DoJ and LROs and to create a Legal Hub. The floor area currently occupied by the DoJ in the Main and East Wings of the former CGO and that to be used by it in the West Wing would amount to about 24 000 sq m in total. Out of this, about 17 300 sq m was to be occupied by offices in the Queensway Government Offices and outstation offices before relocation, about 3 300 sq m to meet shortfall, about 3 000 sq m for use by LROs, and about 500 sq m for preserving features with heritage value and existing facilities which had currently been put to use efficiently.

13. Apart from the provision of office space for LROs, Mr CHAN Chi-chuen asked what other policies the Administration had in place to make Hong Kong a legal hub. He also asked whether the office space for LROs in the West Wing and the former FMB was oversubscribed, and enquired about the terms of the tenancy agreement and the length of the lease.

14. SG/DoJ responded that the DoJ would create one permanent post of Deputy Principal Government Counsel (DL2) in its Legal Policy Division to head a dedicated unit in the division to take up the arbitration portfolio, including taking forward measures for promoting and developing Hong Kong's arbitration services. Regarding the publicity for promoting Hong Kong's arbitration services, the DoJ had already earmarked the expenditure. SG/DoJ said that the length of the lease on office space in the West Wing and the former FMB was proposed to be no more than five years. The DoJ had received 25 applications and some of the applicant organizations were currently recipients of government subsidies.

Energy saving and greening efforts at the West Wing

15. Noting that a green roof with non-reflective solar panels would be provided in this project, Mr WU Chi-wai enquired whether the Administration would consider increasing the number of non-reflective solar panels and scaling down the green roof to boost energy saving. He also asked whether the Architectural Services Department ("ArchSD") had set objectives or drawn up guidelines correspondingly to facilitate the introduction of renewable energy to government buildings.

16. Director of Architectural Services ("DArchS") replied that the green roof could lower the indoor air temperature of the top floor of the building and reduce heat-island effect, while solar panels could generate renewable energy. The two measures had their own distinctive functions. Therefore, the Administration's plan to carry out greening and install solar panels would depend on the physical environment and the size of the roof. DArchS pointed out that the Administration had issued internal guidelines requiring that energy-saving, greening, and recycling facilities be included in all government projects. For the current project, the cost for installation of renewable energy devices would make up around 2% of the construction cost.

17. Mr WU Chi-wai requested the Administration to provide internal guidelines of the ArchSD for government building projects on the adoption of renewable energy technologies and the energy that could be saved. DArchS undertook to provide the supplementary information.

[Post-meeting note: The Administration's supplementary information was issued to members vide LC Paper No. FC286/15-16(01) on 17 August 2016.]

Use and management of public area

18. Dr Kenneth CHAN and Mr LEUNG Kwok-hung expressed concern about the fact that the public area outside the West Wing would be managed by the Development Bureau ("DB") and the Leisure and Cultural Services Department ("LCSD"). Dr CHAN suggested that the Administration consult conservation organizations about the management of the project's public area and facilities, including fences and catering facilities, or submit the proposals to the relevant Panels of the Legislative Council for discussion. Mr LEUNG Kwok-hung criticized the Administration for not including the management of the public area, which was adjacent to the West Wing, in this funding proposal. It was rather confusing to place the public area under the management of the DB and the LCSD, instead of the DoJ.

19. Assistant Secretary for Development (Planning) 1 said that the DB was currently discussing with the LCSD, the ArchSD and the DoJ on the preparatory work for the plan to develop the area into public open space. Upon completion of the preliminary design of the public open space, relevant stakeholders would be consulted. Considering that this was a district minor works project, the Administration, as per the usual practice, would conduct consultation at district level (including the District Councils) on the project design, but would not submit the design and implementation details to the

Legislative Council. SG/DoJ added that this funding proposal mainly involved the renovation works of the West Wing. But the Administration had, in view of the concern of some members, submitted the relevant information on the public open space as it was situated between the Main and West Wings.

20. In this connection, Dr Kenneth CHAN opined that the project was not simply an individual district project as it involved a public open space that would be used by the general public. He urged the Administration to submit the consultation papers to be presented to the District Councils to the relevant Panels of the Legislative Council for discussion. In response, Assistant Secretary for Development (Planning) 1 advised that as the project was still in its planning stage, detailed arrangements for consultation was not yet made for the time being. But the Administration would definitely follow the established practice and consult the relevant stakeholders through the appropriate approach and platform. Ms Claudia MO and Mr LEE Cheuk-yan urged the Administration to undertake to maintain the architectural authenticity of the public area and avoid overdevelopment.

21. Ms Cyd HO pointed out that there used to be a canteen on the 7/F of the West Wing which was open to public and provided inexpensive meals. She suggested that the Administration consider offering inexpensive meals for the benefit of the public when it devised its plan to provide small catering facilities in the public area between the Main and West Wings. Ms Cyd HO, Dr Kenneth CHAN and Dr KWOK Ka-ki suggested that the eateries there be operated by social enterprises to make good use of the public area.

22. Mr Alan LEONG was of the view that in collecting public views on the best use of the public area, the Administration should adopt the approach of "public participation" instead of the outdated public consultation. In response, Assistant Secretary for Development (Planning) 1 said that the design of the public open space was in the pipeline and work was expected to commence in 2018. Stakeholders (including the District Councils) would be consulted in due course to receive their views on the implementation of the project so as to enhance its design.

Heritage conservation and revitalization

23. Dr KWOK Ka-ki and Ms Claudia MO urged the Administration to set up a framework to engage non-governmental conservation organizations in the relevant conservation efforts. Ms Cyd HO relayed the concerns of non-governmental conservation organizations that the current platforms for consultation on the project were insufficient. She asked whether the Administration would put in place a mechanism for consultation or set up a consultation committee to facilitate an early collection of the views of non-governmental conservation organizations on various issues such as the project's conservation works and the facilities open to the public, thereby securing popular support for the proposed conservation measures of the project.

24. SG/DoJ said in response that the Administration had already consulted the Antiquities Advisory Board ("AAB") in accordance with the established mechanism, and would maintain communication with the Antiquities and Monuments Office ("AMO") and conservation organizations on the restoration and conservation works of the project.

25. Dr KWOK Ka-ki asked in opening the West Wing to public visit upon completion of its renovation, whether the Administration could keep the restrictions to a minimum.

26. In response, SG/DoJ said that the public open space and the proposed heritage corridor on the 7/F of the West Wing would be open to the public 24 hours a day, while most features with heritage value in the West Wing could be viewed from outside. The Administration would also consider organizing guided tours to the features with heritage value in the West Wing during non-office hours on weekends.

27. Mr LEUNG Yiu-chung urged the Administration to demolish the fences and gates erected in the vicinity of the West Wing after 1997, especially those at Battery Path and those facing the Government House, so as to restore the original architectural features of the former CGO.

28. In response, SG/DoJ said that the Administration would try its best to preserve the original architectural features of the West Wing and restore it to the way it looked in 1959 when it was completed. Some of the fences would be preserved for security reasons but they would be lowered. The gates would be replaced by drop-arm barriers for vehicular control.

29. Mr LEUNG Yiu-chung and Dr Kenneth CHAN enquired about the progress of the Administration's review and implementation of the recommendations made in the heritage impact assessment report, and the schedule for organizing the exhibition at the public space on the 7/F of the West Wing.

30. Executive Secretary (Antiquities and Monuments), AMO responded that the content of exhibition was mainly organized by the DoJ while the AMO was pleased to give advice. SG/DoJ said in response that the DoJ would be in close communication with the AMO and conservation organizations in organizing the exhibition.

Construction costs

31. Mr Alan LEONG enquired why the expenditures for 2017-2018 and 2018-2019 were highest in the phasing of expenditure. DArchS replied that these two years were expected to see the peak of the construction works of the proposed project, especially interior renovation works.

32. Dr KWOK Ka-ki was concerned about the enormous project costs and was worried about a possible cost overrun. SG/DoJ replied that the projects of the Main and East Wings of the former CGO were completed within budget and on schedule.

33. There being no further questions from members, 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 40 members voted in favour of and one member voted against the proposal. The votes of individual members were as follows –

For:

Mr LEE Cheuk-yan
Ms Emily LAU Wai-hing
Mr Frederick FUNG Kin-kee
Prof Joseph LEE Kok-long
Mr WONG Ting-kwong
Ms Starry LEE Wai-king
Mr WONG Kwok-kin
Mrs Regina IP LAU Suk-yee
Mr Alan LEONG Kah-kit
Mr Michael TIEN Puk-sun
Mr Steven HO Chun-yin

Mr CHAN Kam-lam
Mr TAM Yiu-chung
Mr WONG Kwok-hing
Mr Jeffrey LAM Kin-fung
Ms Cyd HO Sau-lan
Mr CHAN Hak-kan
Mr IP Kwok-him
Mr Paul TSE Wai-chun
Ms Claudia MO
Mr NG Leung-sing
Mr WU Chi-wai

Mr Gary FAN Kwok-wai
Mr Charles Peter MOK
Miss CHAN Yuen-han
Mr KWOK Wai-keung
Dr Fernando CHEUNG Chiu-hung
Mr IP Kin-yuen
Mr POON Siu-ping
Dr CHIANG Lai-wan
Mr Tony TSE Wai-chuen
(40 members)

Mr MA Fung-kwok
Dr Kenneth CHAN Ka-lok
Dr KWOK Ka-ki
Mr Dennis KWOK
Mr SIN Chung-kai
Mr Martin LIAO Cheung-kong
Mr TANG Ka-piu
Ir Dr LO Wai-kwok
Mr Alvin YEUNG Ngok-kiu

Against:

Mr LEUNG Kwok-hung
(1 member)

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

Rearrangement of order of agenda items

35. At 4:17 pm, Deputy Secretary for Financial Services and the Treasury (Treasury) ("DSFST(T)") said after reviewing the progress of the FC meetings of the day, the Administration proposed to re-order the agenda items on the principle of dealing with simple issues before difficult ones. It suggested moving forward Items No. 6 (construction of staff quarters for Correctional Services Department at Tin Wan, Aberdeen), No. 7 (Professional Services Advancement Support Scheme), and No. 10 (creation of a supernumerary Chief Town Planner in the Planning Department) after the Committee finished the deliberation on Item No. 4, before proceeding with Item No. 5 and the remaining items according to the original order on the agenda. DSFST(T) said that the above suggestion, which was aimed at completing deliberation on as many items as possible in the remaining meeting time of the day, was agreed by members of different parties outside the meeting.

36. The Chairman said that he approved the above suggestion of the Administration of rearranging the order of agenda items in view of the fact that it had been agreed by members.

Item No. 4 – FCR(2016-17)67

INNOVATION AND TECHNOLOGY FUND

HEAD 111 – INNOVATION AND TECHNOLOGY

New Subhead – "Innovation and Technology Venture Fund Corporation"

HEAD 184 – TRANSFERS TO FUNDS

Subhead 992 – "Payment to the Innovation and Technology Fund"

37. The Chairman said that this item sought FC' approval of the creation of a new subhead with a commitment of \$2 billion under the Innovation and Technology Fund for financing the proposed Innovation and Technology Venture Fund ("ITVF"); and the creation of a supplementary provision of \$2 billion under Head 184 Subhead 992 Payment to the Innovation and Technology Fund, to be offset by deletion of the same amount under Head 106 Miscellaneous Services Subhead 789 Additional Commitments, in order to give effect to financing the ITVF.

38. At the invitation of the Chairman, Mr WONG Ting-kwong, Chairman of the Panel on Commerce and Industry, briefed members on the outcome of discussion by the Panel. Mr WONG said the Panel supported the item in principle. Panel members were concerned about whether public money invested in the proposed ITVF would be used in a prudent manner. Members also expressed concern about the control and review mechanism to monitor the operation and performance of the ITVF, especially audits of its financial statements. Some members pointed out that the deterioration of global economic conditions might dampen investment sentiment of the venture capital ("VC") funds, which would in turn affect the operating performance of local innovation and technology ("I&T") start-ups. As such, members were concerned whether the creation of the ITVF could attract VC funds to invest in local I&T start-ups and provide them with long-term and stable financing.

Sustainability of the ITVF

39. Dr KWOK Ka-ki supported the item. He was concerned whether private enterprises would be attracted to invest in the ITVF after the commitment of \$2 billion was used up, so as to provide continual support to local I&T start-ups.

40. Secretary for Innovation and Technology ("SIT") responded that there were about 1 600 start-ups in Hong Kong, over half of which were in the I&T sector. Most of the I&T start-ups were in Series A funding (funding required in the range of \$8 million to \$40 million) and were unable to get investment from the private sector. The ITVF could help fill such a funding gap encountered by local I&T start-ups at this growth stage. The Administration would invite partner VC funds to cooperate with the ITVF and make joint investment in local I&T start-ups with an overall matching investment ratio of Government fund to VC funds of 1:2, so as to share the risk in investment. The Administration would also provide incentives to partner VC funds by offering them the option to purchase the Government's shares in start-ups within five years at a cost of the principal amount plus a suitable premium. On the other hand, partner VC funds could provide local I&T start-ups with their experience and knowhow, thus facilitating the growth of local I&T start-ups.

Application procedures of the ITVF

41. Ms Claudia MO pointed out with dissatisfaction that while the ITVF was related to technologies, the Administration had not arranged consultation with the Panel on Information Technology and Broadcasting on this issue. Ms MO requested the Administration to ensure that the ITVF would select the projects to be funded in a fair and impartial manner. She also enquired about the application procedures of the ITVF.

42. SIT explained that the scope of the I&T industry was wider than that of the information technology industry. Moreover, as the ITVF was aimed at promoting economic development, it was appropriate to discuss it at the Panel on Commerce and Industry. The Administration would sign a master agreement with about four to five partner VC funds. He added that in order to attract private sector investment and increase deal flow of investment in I&T start-ups, the Administration would set a pre-determined investment horizon and maximum funding commitment for matching with each VC fund.

43. The meeting was adjourned at 4:33 pm.