

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 34th meeting
held at Conference Room 1 of the Legislative Council Complex
on Saturday, 7 July 2018, at 9:00 am

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, 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 Mrs Regina IP LAU Suk-yea, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, BBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG

Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon CHAN Chun-ying, JP
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Gary FAN Kwok-wai
Hon AU Nok-hin
Hon Vincent CHENG Wing-shun, MH
Hon Tony TSE Wai-chuen, BBS

Members absent:

Prof Hon Joseph LEE Kok-long, SBS, JP
Hon MA Fung-kwok, SBS, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon Dennis KWOK Wing-hang
Dr Hon Helena WONG Pik-wan

Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Kenneth LAU Ip-keung, BBS, MH, JP

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Mike CHENG Wai-man	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Kevin YEUNG Yun-hung, JP	Secretary for Education
Mr Brian LO Sai-hung, JP	Deputy Secretary for Education (1)
Miss Winnie WONG Ming-wai	Deputy Secretary-General (1), University Grants Committee Secretariat
Mr Nicholas YANG Wei-hsiung, GBS, JP	Secretary for Innovation and Technology
Ms Annie CHOI Suk-han, JP	Commissioner for Innovation and Technology
Mr Ivan LEE Kwok-bun, JP	Deputy Commissioner for Innovation and Technology
Ms Eva YAM Ya-ling	Acting Deputy Secretary for Innovation and Technology (2)
Mr Ricky CHONG Kwok-man	Acting Deputy Secretary for Innovation and Technology (1)

Other persons attending:

Mr Albert WONG Hak-keung	Chief Executive Officer, Hong Kong Science and Technology Parks Corporation
Mr George TEE	Chief Technology Officer, Hong Kong Science and Technology Parks Corporation

Mr Peter YAN King-shun	Chief Executive Officer, Hong Kong Cyberport Management Company Limited
Ms Maria LAM Shook-fun	Chief Corporate Development Officer, Hong Kong Cyberport Management Company Limited

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
Ms Ada LAU	Senior Council Secretary (1)7
Mr Raymond SZETO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5

Action

The Chairman reminded members of the requirements under Rules 83A and 84 of the Rules of Procedure.

**Item No. 2 — FCR(2018-19)35
CAPITAL WORKS RESERVE FUND
HEAD 708 — CAPITAL SUBVENTIONS AND MAJOR SYSTEMS
AND EQUIPMENT**

**Education Subventions
61EC — Hostel Development Fund**

2. The Finance Committee ("FC") continued with the discussion on item FCR(2018-19)35.

Proportion of the amount of capital grants to universities

3. Mr SHIU Ka-chun declared that he taught at a University Grants Committee ("UGC")-funded university in Hong Kong. Mr SHIU pointed out that the Administration's commitment would be capped at 75% of the total construction cost of student hostels, while the remaining 25% would

be met by the universities concerned using their own sources of private funding. He enquired about the reasons for the Administration to specify the above proportion.

4. In response, Secretary for Education ("SED") said that:
 - (a) there was a historical reason for setting the aforesaid proportion. In the past, as the provision of hostels was not directly related to teaching and learning, the Government was responsible for part of the expenditures only. The aforesaid proportion had been followed since then; and
 - (b) the aforesaid proportion would safeguard the use of public money, as universities would also be responsible for part of the expenditures. In such a way, universities would use government subventions in a proper way to build student hostels.

Impacts of increase in programme places on funding allocation arrangement

5. Mr WU Chi-wai noted that the grant was only provided to six UGC-funded universities and was not applicable to Lingnan University ("LU") and The Education University of Hong Kong ("EdUHK"). Mr WU asked whether the Administration thought that these two universities had already had an adequate number of hostels. He also enquired about the means by which these two universities and the other six UGC-funded universities could obtain additional funding to build hostels to meet the new demand for hostel places in case of an increase in programme places in future.

6. In response, SED said that:
 - (a) under the prevailing policy, the provision of hostel places for LU and EdUHK was considered adequate. As such, the current item only involved six universities;
 - (b) should there be a change in the policy in future resulting in an increase in the required hostel places, the Administration would calculate afresh the number of required hostel places. However, as the number of Secondary 6 students in the next few years would decline, the Administration anticipated that the numbers of publicly-funded places and hostel places would not be adjusted substantially in the next few years; and

- (c) the current item aimed to expedite the progress in meeting the shortfall of student hostel places, which was not tantamount to requiring that all future hostel development projects must follow the approach adopted in the current item.

Land sources

7. Mr WU Chi-wai enquired about the sources of land for building hostels. SED replied that the Government had already earmarked sites for hostel development projects under the current item, and universities must follow the established procedures for changing the use of land in case the construction of hostels necessitated a change in land use.

Funding approach, use of funds by universities and monitoring of hostel development projects

8. Mr IP Kin-yuen expressed support for the item. Mr IP, Mr Gary FAN, Mr AU Nok-hin, Mr CHAN Chi-chuen and Mr HUI Chi-fung were concerned that the one-off funding arrangement under the current item would affect how the Legislative Council ("LegCo") might monitor the implementation of this item or individual hostel projects. Mr IP suggested that after obtaining FC's funding approval, the Administration should, having regard to the progress of projects, provide the Panel on Education with relevant information, such as the architectural designs, implementation progress, for discussion by the Panel. Mr CHAN expressed similar views.

9. Mr CHAN Chi-chuen enquired about the caveats and risks inherent in this one-off funding arrangement, as compared with the project-by-project funding arrangement. Mr CHAN pointed out that in comparison with the Administration, universities did not have rich experience in proceeding with such projects. He was worried that there was a risk that universities might award the construction projects to poorly-performing contractors, leading to a higher risk in proceeding with these projects. Mr KWONG Chun-yu expressed similar views.

10. Mr CHEUNG Kwok-kwan, Mr CHU Hoi-dick, Mr James TO, Dr Fernando CHEUNG and Mr HUI Chi-fung said that for any part of the grants which was not yet required for meeting the cashflow of the projects, universities were allowed to make appropriate investment, with a view to covering potential increase in the construction cost due to price adjustment. They were concerned about the risk of incurring investment loss by universities under this arrangement.

11. Mr CHEUNG Kwok-kwan spoke in support of the item, but pointed out that among the 15 proposed student hostel projects under the current item, the agreed completion dates of nine projects were in 2022 to 2024. He was worried that the six universities involved might not be able to enlist enough donations for not less than 25% of the construction cost since fund-raising activities would be conducted at around the same time.

12. Mr CHU Hoi-dick spoke against the item and called on members to oppose it. He pointed out that the item actually demanded LegCo to authorize the Administration to build individual hostels at costs ranging from \$160 million to \$1,600 million per project, without having to seek LegCo's approval for each and every such project. However, regarding the block allocations mechanism under the Capital Works Reserve Fund, the ceiling of each project was set at \$30 million, so there was a big difference between the two. He asked whether it was possible to draw the dividing line at year 2024 and split the item into two for submission to FC for deliberation: hostel projects to be completed in or before 2024, and those scheduled for completion after 2024. Mr CHU further pointed out that with project costs estimated in 2018 prices, the grant under this item would not be able to cope with ensuing price adjustment. Under this funding arrangement, universities were forced to make investments if they were to have enough money to build the hostels. If the universities incurred investment loss, the students were those who would suffer.

13. Regarding the previous arrangement under which funding approval was sought for each and every student hostel project, Mr James TO asked whether universities were also asked to make investments with the allocations in order to cover the outstanding construction costs required for building student hostels, as required under the current item. He said that it might be more desirable to fund the building of student hostels by universities by way of instalment. Dr Fernando CHEUNG opposed the funding approach proposed under this item, pointing out that there had been incidents of investment loss, chaotic governance and transfer of benefits in individual universities. Mr HUI Chi-fung was worried that universities might use the money to engage in high-risk investments.

14. Mr AU Nok-hin asked whether, under the funding approach as proposed under the current item, universities could cooperate with other foundations or fund-raising groups in building and naming student hostels. He was worried that the proposed funding approach might result in universities transferring the construction costs to students residing in hostels. Mr LAM Cheuk-ting said that the management of individual universities was chaotic at the moment. He had no confidence that the

universities concerned could act properly under the approach proposed by the current item.

15. Dr KWOK Ka-ki was worried that fund-raising abilities varied among universities, and this might lead to varied quality of the hostels constructed by individual universities. Mr KWONG Chun-yu was worried that universities would need to offer more self-financing undergraduate programmes in order to earn more profits for not less than 25% of the construction cost they had to bear.

16. Mr Gary FAN was concerned about whether a sound mechanism had been put in place to monitor the construction quality of hostels built under this item and to control the costs. He pointed out that most of the proposed student hostel projects in the item had not yet carried out pre-construction work. He was concerned about the possible scenario where unpredictable factors, such as geological problems, encountered by universities after the commencement of pre-construction activities would lead to increased hostel construction costs, and the grants to be disbursed under this item were insufficient to meet the shortfall required for completing the works.

17. Ms Tanya CHAN pointed out that the universities concerned would submit quarterly progress reports to the UGC Secretariat on the construction of the proposed student hostels. She enquired about the information to be included in such reports.

18. In response, SED said that:

- (a) the new funding arrangement adopted for this item was for the purpose of expediting the effort to meet the shortfall of student hostel places. After meeting the shortfall, should there be new demand for hostel places, the Administration might, in response to the prevailing circumstances, consider submitting individual hostel development proposals on a project-by-project basis for LegCo's vetting and approval;
- (b) whether it was funding allocation on a project-by-project basis or one-off allocation to fund the construction of student hostels, universities would need to assume the responsibility of carrying out the construction work, monitoring work progress and taking up not less than 25% of the construction costs. The responsibility of universities in these respects had remained unchanged despite the adoption of different funding approaches;

- (c) compared with the funding arrangement on a project-by-project basis, universities were given more flexibility in the architectural designs of hostels under the one-off allocation arrangement proposed under the current item;
- (d) in the area of project designs, when universities had come up with preliminary design plans, the Administration would provide information papers to the Panel on Education for its consideration of whether follow-up action would be needed;
- (e) after the construction works had started, UGC would engage in supervision, and the Administration would submit an annual report to the Panel on Education detailing the progress of hostel development;
- (f) as for the financial arrangement of the universities concerned, as well as the arrangement of allowing them to make appropriate investment by using any part of the grants not yet required for meeting the cashflow of the projects, the Administration believed that universities, with years of experience in handling financial and fund-raising matters, were competent at handling such issues. The Administration and the universities concerned had carried out thorough discussions, and the universities had also agreed to adopt this arrangement to meet the shortfall of student hostel places;
- (g) the Administration would incorporate a provision in the service agreements, requiring the universities to exercise prudence when using the money to make investment;
- (h) under the funding approach proposed under the current item, universities might enlist donations from individual organizations or persons, and it was up to the universities to decide whether the donors should be given the rights to name the hostels;
- (i) the universities concerned had, in the past, achieved good results in raising funds for other projects, and the Administration believed that the universities possessed the fund-raising ability required to meet the funding needs of this item. Furthermore, compared with the past arrangement whereby universities were required to proceed with

pre-construction activities first and fund-raising activities could not commence prior to obtaining FC's approval for the project concerned, the funding approach proposed under this item allowed universities to carry out pre-construction and fund-raising activities in parallel;

- (j) splitting up the item for submission to FC for scrutiny would involve additional procedures and uncertainty in taking forward the hostel development projects; and
- (k) the Architectural Services Department and the universities concerned had already conducted preliminary assessments of the proposed hostel projects, and the Administration had recommended the granting of "enhanced unit subsidy rate" for those hostel projects that would incur additional construction costs due to various development constraints.

19. Deputy Secretary-General (1), UGC Secretariat added that in order to supervise such hostel development projects, UGC would require universities to submit quarterly progress reports, which would include information such as detailed construction designs, tendering exercise, construction progress, application for permits from government departments, and financial expenses.

Calculation and allocation of hostel places

Opportunities for local and non-local students to stay in hostels

20. Mr IP Kin-yuen declared that he was a member of the Court of the University of Hong Kong. Mr CHAN Chi-chuen, Mr Andrew WAN, Mr IP, Dr Fernando CHEUNG, Mr LAM Cheuk-ting and Ms Claudia MO were concerned about how non-local students had affected the opportunity for local students to stay in hostels. Mr CHAN said that as non-local students had priority in staying in hostels, he was worried that an increase in the number of non-local students in future would affect the opportunity for local students to stay in hostels. Mr WAN and Mr LAM asked whether non-local students were invariably given hostel places. Mr IP requested the Administration to provide information on the numbers of local and non-local students who stayed in hostels. Dr CHEUNG demanded the Administration to provide information on the overall proportion of local students and Mainland students among all students in the UGC-funded sector. Mr LAM was concerned that many non-local students came from the Mainland. He asked how the Administration would go about attracting the real overseas students to Hong Kong so as to

promote internationalization of universities. Ms MO was concerned that a lot of university resources were allocated to Mainland students, leading to alienation between local and Mainland students in hostels.

21. Dr Priscilla LEUNG declared that she taught at the City University of Hong Kong ("CityU"). Dr LEUNG suggested that the Administration might, by drawing reference from the arrangements adopted by overseas institutions, guarantee only a minimum of one year of hostel life for overseas students. Dr LEUNG also expressed views on the hostel life of students and the workload of wardens.

22. In response, SED advised that:

- (a) in calculating the number of hostel places, it was assumed that all non-local students would be given hostel places, but the actual situation in each year would depend on the actual numbers of local and non-local students admitted by universities;
- (b) in promoting internationalization of universities, various universities would adopt different measures, e.g. providing scholarships to students from different countries so as to attract them to study in Hong Kong;
- (c) regarding hostels built under the current item, the originating places of non-local students would not affect the allocation of hostel places; and
- (d) the Administration had already requested universities to organize more activities in hostels to promote integration of local and non-local students when hostel places were more adequately provided in future.

23. Deputy Secretary for Education (1) added that in 2017-2018 academic year, the respective numbers of local students and non-local students staying in hostels were 19 431 and 16 217.

[Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC330/17-18(01) on 13 September 2018]

Criteria for allocating hostel places

24. Regarding the criterion that "undergraduate students who travelled to and from the campus daily for more than four hours should be provided with student hostel places" (the "four-hour home-university travelling time" criterion), Mr CHU Hoi-dick, Mr AU Nok-hin, Dr Fernando CHEUNG, Mr LAM Cheuk-ting and Mr WU Chi-wai expressed doubt on that criterion. Mr CHU said that the length of travelling time required should be shortened. Mr AU pointed out that four hours of travelling time would allow someone to travel to and from almost every place in Hong Kong. Dr CHEUNG, Mr WU and Mr AU pointed out that the "four-hour home-university travelling time" criterion was an outdated policy devised many years ago. Mr LAM pointed out that while local students would only be given hostel places if their home-university travelling time exceeded four hours, those non-local students who resided in Shenzhen and spent less than four hours to travel to and from the campus daily would invariably be provided with hostel places. He wondered whether these criteria were reasonable or were discriminatory against local students. He urged the Administration to consider applying the "four-hour home-university travelling time" criterion to local and non-local students alike in respect of allocation of hostel places.

25. Mr Andrew WAN enquired about the criteria for calculating the number of hostel places, and about how the family status of students would affect allocation of hostel places.

26. Mr HO Kai-ming declared that he was a member of the Council of The Chinese University of Hong Kong. Mr HO enquired about the difference between allocation of hostel places for hostels built under the current item and for other hostels in universities. Mr HO subsequently explained that in terms of the concepts used in allocating hostel places, it was essential to have a clear distinction between the following two types of allocation mechanisms: the allocation of hostel places to those students who were entitled to hostel places without the need of going through a scoring system; and the allocation of hostel places to those who would only be provided with hostel places after going through a scoring system.

27. Regarding the calculation of the number of hostel places, Mr WU Chi-wai asked whether self-financing degree programme places would also be included, other than publicly-funded degree programmes places; whether students studying in self-financing degree programmes were allowed to apply for hostel places; whether research postgraduate students could stay in hostels under the policy that "all undergraduate students

should be given an opportunity to stay in student hostels for at least one year of their studies" ("one-year hostel accommodation during the four-year period of their studies"). Mr WU requested the Administration to provide supplementary information on the current and anticipated number (if available) of students staying in publicly-funded student hostel places with a breakdown by the three categories of students as described in paragraph 4 of the discussion paper. Mr WU also requested the Administration to provide the Panel on Education (copied to FC) with a supplementary paper to clarify whether and how the Administration would review the current criteria for calculating the number of publicly-funded student hostel places, including whether it would review the "four-hour home-university travelling time" criterion; whether it had analysed the scenario that would arise if the aforesaid travelling time criterion was reduced to three hours (such as the number and percentage of affected students); and whether it would consider adjusting the prevailing policy so that local undergraduate students would be given priority in the allocation of publicly-funded student hostel places.

[*Post-meeting note:* The supplementary information provided by the Administration was circulated to members on 13 September 2018 vide LC Paper Nos. FC330/17-18(01) and CB(4)1556/17-18(01) respectively.]

28. Dr KWOK Ka-ki considered that some of the non-local students from the Mainland were much better-off than many local students. He thought that in allocating hostel places, the Administration should consider students' actual needs for hostel places. Mr IP Kin-yuen suggested that the Administration should increase the percentage of hostel places allocated for local students.

29. In response, SED said that:

- (a) if an undergraduate student had to travel to and from the campus daily for more than four hours, his/her one-way journey took more than two hours. As the travelling time was lengthy, it was reasonable to allocate hostel places to these students;
- (b) the Administration calculated the number of required hostel places by the following criteria: the policy of "one-year hostel accommodation during the four-year period of their studies"; the policy of "guaranteed hostel accommodation for all research postgraduate students and non-local students"; and the "four-hour home-university travelling time" criterion;

- (c) the Administration would require universities to allocate hostel places according to the following order of priorities: "four-hour home-university travelling time" criterion should enjoy the highest priority, followed by the policy of "one-year hostel accommodation during the four-year period of their studies", with the lowest priority accorded to the policy of "guaranteed hostel accommodation for all research postgraduate students and non-local students";
- (d) allocation of student hostel places was a matter within institutional autonomy. Individual universities had devised its own set of allocation criteria to determine the actual allocation of hostel places among students under an assessment system which took into account factors including the family status and health conditions of students;
- (e) calculation of the number of hostel places covered funded places only;
- (f) research postgraduate students were entitled to hostel accommodation during the entire programme period;
- (g) while the number of hostel places required was calculated on the basis of the above criteria, the actual allocation of student hostels might not follow the same proportion in the calculation criteria; and
- (h) if it was the views of members that the travelling time of non-local students residing in places adjacent to Hong Kong should also be taken into account in allocating hostel places, the Administration could relay the views to universities which would decide the allocation of hostel places among students. The Administration would report its progress of discussion with universities on this issue to the Panel on Education in due course.

30. Deputy Secretary-General (1), UGC Secretariat added that it was possible for universities to allocate hostel places to students studying in self-financing programmes, given that the construction costs of some hostels were funded solely by donations solicited by universities.

Consistency in the criteria for hostel places allocation among universities

31. Mr Andrew WAN asked the Administration how it would oversee the adoption of consistent criteria by all universities in allocating hostel places. SED replied that in order to uphold administrative independence and autonomy of universities, UGC would examine, from a holistic point of view, whether the criteria for hostel places allocation adopted by universities largely conformed to the requirements laid down by the Administration.

Provision of hostel places for incoming exchange students

32. Dr Fernando CHEUNG asked whether incoming exchange students were accorded priority over ordinary non-local students in respect of allocation of hostel places. Dr CHEUNG pointed out that if universities could accord higher priority to incoming exchange students over non-local students in allocating hostel places, universities could send out students for outbound exchange on a reciprocal basis. Therefore, he queried the Administration's remarks that the need to provide hostel places for non-local students had rendered universities unable to send out more students for outbound exchange.

33. In response, SED said that:

- (a) the number of hostel places for incoming exchange students was calculated on the basis of the provision of an additional 1 840 student hostel places. In respect of hostel places allocation, the Administration had not demanded universities to accord priority to incoming exchange students over non-local students, or to accord priority to non-local students over incoming exchange students. It was up to universities to determine the priorities to be accorded to incoming exchange students in allocating hostel places;
- (b) as incoming exchange students usually participated in exchange activities for a couple of months, they would probably stay in hostels for several months only. Universities might strike a balance between the use of hostel places and exchange activities with overseas universities; and
- (c) while shortage of hostel places might not necessarily hinder universities' internationalization efforts, but it was likely that such efforts would be constrained.

Intra-government competition for resources

34. Mr CHU Hoi-dick pointed out that intra-government competition for resources was the real reason behind the lengthy process required to implement a hostel development project. Mr CHU thought that the Administration should, in the first place, review the procedural problems arising from intra-government competition for resources, instead of demanding a one-off grant or authorization to expedite the process of implementing these projects. Permanent Secretary for Financial Services and the Treasury (Treasury) replied that there were bound to be priorities in allocating internal resources. The present one-off grant arrangement for hostel development proposed under the current item had also gone through the internal resource allocation exercise. The item was proposed having regard to the Government's financial ability.

Distance between hostels and campus

35. Regarding the student hostel for CityU to be constructed at Whitehead, Ma On Shan under the current item, Mr CHEUNG Kwok-kwan was concerned that it was too far away from CityU's campus in Kowloon Tong. In response, SED said that it did not take long to travel between the hostel and the campus by MTR.

Unit cost

36. Mr SHIU Ka-chun enquired about the unit cost of the proposed student hostel projects to be built under the current item, with a comparison between the unit cost of hostels and that of public rental housing ("PRH") flats.

37. In response, SED said that:

- (a) the unit cost of the proposed student hostel projects was set out in Enclosure 2 to FCR(2018-19)35;
- (b) the Administration had, depending on the circumstances of the proposed student hostel projects, such as hostels situated on slopes, adjusted their unit costs correspondingly. The unit cost concerned was arrived at after negotiation between the Administration and the universities; and
- (c) the Administration had not compared the unit costs of student hostels and PRH blocks, as the two were of different nature.

Penalty system

38. Mr SHIU Ka-chun enquired about the basis for setting the threshold at four years under the penalty system in respect of a delay of more than four years in delivering the proposed student hostel projects.

39. Mr Alvin YEUNG asked whether the Administration and universities would settle disputes arising from delays in delivering proposed hostel projects through negotiation, mediation or legal pursuits; and whether the Administration would sign documents or agreements with universities to the effect that both sides might settle disputes through means other than legal pursuits. Mr YEUNG suggested that both sides might resort to arbitration should disputes arise from a delay in delivering proposed hostel projects, so as to reduce the costs of settling disputes.

40. In response, SED said that:

- (a) the four-year threshold under the penalty system was arrived at after negotiation between the Administration and the universities. Furthermore, the penalty was applicable to the delay counted in number of days having regard to the 180-day grace period, and the four-year threshold indicated an unacceptably long period of delay;
- (b) according to the Administration's experience, many issues were resolved after discussion with UGC. Legal pursuits would be kept in reserve as a "last resort" only; and
- (c) UGC would sign service agreements with individual universities to ensure that they followed the requirements proposed under the current item.

Hostel fees

41. Mr HUI Chi-fung, Mr AU Nok-hin and Mr HO Kai-ming expressed views on hostel fees. Mr HUI asked how the Administration would supervise the level of hostel fees charged by universities, so that needy students would also have a chance to stay in hostels. He also requested the Administration to consider regulating hostel fees which were currently determined by universities. Mr AU said that individual universities had, in the past two years, increased their hostel fees by 6% to 9% annually. He was concerned that the changes in UGC's policy on funding the maintenance costs of hostels might result in a transfer of the maintenance

fees to students, leading to an increase in hostel fees. Mr HO suggested that the Administration might, in future, consider the provision of subsidies for grass-roots students to stay in hostels.

42. SED responded that:

- (a) as student hostels were operated on a self-financing basis, universities could prescribe fees at their own discretion in order to recover the operating costs of hostels. In the past, the Administration had neither funded the routine maintenance of hostels, nor participated in determining hostel fees. According to the Administration's understanding, while universities might not set hostel fees at a level that could generate profits, it would balance the income brought and expenditure incurred by operating hostels; and
- (b) needy students might apply for funds under various schemes, such as bursaries offered by universities, the Community Care Fund, various grants and loans schemes, etc.

Standard schedule of accommodation

43. Ms Tanya CHAN pointed out that "the Standard Schedule of Accommodation for a 300-place Student Hostel" ("SoA") (LC Paper No. FC304/17-18(01)) provided by the Administration was formulated many years ago, providing information on the floor area, etc., whereas the majority of the proposed student hostel projects provided more than 300 hostel places. She asked whether the Administration would review the SoA, and how it would handle the schedule of accommodation for hostels with more than 300 places.

44. Mr Gary FAN was concerned that the student hostels of both CityU and The Hong Kong Polytechnic University ("PolyU") were situated at Tat Hong Avenue, Kowloon Tong. He asked whether these hostels were jointly operated by CityU and PolyU, as well as the details of operational arrangements for joint hostels regarding their standard schedule of accommodation, costs, operation and maintenance.

45. In response, SED said that:

- (a) while the Administration expected universities to build their hostels according to the principles as set out in SoA, universities might adjust the floor area ratio after taking into account such factors as the design of a hostel; and

- (b) CityU and PolyU were separately responsible for building hostels at Tat Hong Avenue, Kowloon Tong, where two separate hostel projects with independent facilities would be developed.

46. In the course of discussion of FCR(2018-19)35, the Chairman suspended the meeting at 11:01 am. The meeting resumed at 11:07 am.

Arrangement of scrutiny of this item

47. At 11:24 am, the Chairman advised that FC had spent a total of three hours to discuss the item yesterday and in this morning. He thought that even though the item had not been submitted to the Public Works Subcommittee for scrutiny, it had been thoroughly discussed by FC. The Chairman said that he would end the discussion and put the item to vote after the members who had indicated their intention to speak had spoken.

Motions proposed by members under paragraph 37A of the Finance Committee Procedure

48. At 12:09 pm, FC started to vote on whether the two motions on expressing views on the item, proposed by Mr Gary FAN and Mr CHAN Chi-chuen respectively under paragraph 37A of the Finance Committee Procedure ("FCP") ("FCP 37A motions"), should be proceeded with forthwith. The serial numbers of the motions were [0001](#) and [0002](#).

49. The Chairman put to vote the questions, one by one, that these 37A motions should be proceeded with forthwith. At the request of members, the Chairman ordered a division for each of the proposed motions. The Chairman declared that the questions on proceeding with the two motions forthwith were negated.

Voting on FCR(2018-19)35

50. There being no further questions from members, the Chairman put item FCR(2018-19)35 to vote. At the request of members, the Chairman ordered a division, and the division bell was rung for five minutes. The Chairman declared that 33 members voted for and seven members voted against the item. Seven members abstained from voting. The votes of individual members were as follows:

For:

Mr Tommy CHEUNG Yu-yan Mr WONG Ting-kwong

Ms Starry LEE Wai-king	Mr CHAN Hak-kan
Mr WONG Kwok-kin	Mrs Regina IP LAU Suk-yee
Mr Paul TSE Wai-chun	Mr Michael TIEN Puk-sun
Mr Steven HO Chun-yin	Mr Frankie YICK Chi-ming
Mr YIU Si-wing	Mr MA Fung-kwok
Mr Charles Peter MOK	Mr CHAN Han-pan
Mr LEUNG Che-cheung	Mr KWOK Wai-keung
Mr IP Kin-yuen	Dr Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Dr CHIANG Lai-wan	Mr HO Kai-ming
Mr Holden CHOW Ho-ding	Mr SHIU Ka-fai
Mr Wilson OR Chong-shing	Ms YUNG Hoi-yan
Dr Pierre CHAN	Mr CHAN Chun-ying
Mr CHEUNG Kwok-kwan	Mr LUK Chung-hung
Mr LAU Kwok-fan	Mr Vincent CHENG Wing-shun
Mr Tony TSE Wai-chuen	
(33 members)	

Against:

Mr LEUNG Yiu-chung	Ms Claudia MO
Mr CHAN Chi-chuen	Dr Fernando CHEUNG Chiu-hung
Mr CHU Hoi-dick	Dr CHENG Chung-tai
Mr AU Nok-hin	
(7 members)	

Abstained:

Dr KWOK Ka-ki	Mr LAM Cheuk-ting
Mr SHIU Ka-chun	Ms Tanya CHAN
Mr HUI Chi-fung	Mr KWONG Chun-yu
Mr Gary FAN Kwok-wai	
(7 members)	

51. The Chairman declared that the item was approved.

Item No. 3 — FCR(2018-19)38

INNOVATION AND TECHNOLOGY FUND

HEAD 111 — INNOVATION AND TECHNOLOGY

Subhead 101 — Innovation and Technology (block vote)

New Subhead — "Research centres/laboratories for establishment of research clusters"

HEAD 184 — TRANSFERS TO FUNDS

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

CAPITAL INVESTMENT FUND

HEAD 962 — INDUSTRY

New Subhead — "Equity in the Hong Kong Science and Technology Parks Corporation for supporting healthcare and artificial intelligence and robotics technologies researches and its tenants/incubatees"

New Subhead — "Equity in the Hong Kong Cyberport Development Holdings Limited for supporting its tenants/incubatees and promoting the development of e-sports"

52. The Chairman said that this item sought the approval of FC for:

- (a) a supplementary provision of \$20 billion under Head 184 Subhead 992 Payment to the Innovation and Technology Fund ("ITF"), of which:
 - (i) \$10 billion to be used to enable the continued operation of the existing funding schemes under ITF, and introduction of various new initiatives; and
 - (ii) \$10 billion to be used to enable the creation of a new commitment to provide financial support to establish research clusters;
- (b) a commitment to inject \$10 billion as equity from the Capital Investment Fund ("CIF") to the Hong Kong Science and Technology Parks Corporation ("HKSTPC"), to support healthcare and artificial intelligence and robotics technologies researches, and to strengthen support measures for its tenants/incubatees; and
- (c) a commitment to inject \$300 million as equity from the CIF to the Hong Kong Cyberport Development Holdings Limited ("HKCDHL") for strengthening the support to its tenants/incubatees and promoting the development of e-sports in Hong Kong.

53. The Chairman pointed out that the Innovation and Technology Bureau ("ITB") consulted the Panel on Commerce and Industry on the relevant proposals on 20 March 2018 and 15 May 2018 respectively, and

sought the views of the Panel on Information Technology and Broadcasting on 14 May 2018.

54. The Chairman pointed out that Mr Gary FAN had requested that the four funding proposals in FCR(2018-19)38 be discussed and put to vote separately at FC meetings. As the Administration had indicated that it would not oppose the request for separate voting, he would put the proposals in the item to vote separately after completion of discussion.

55. Regarding the request that the proposals in the item be discussed separately, the Chairman said that after considering the views of the Administration, he thought that it would be more appropriate and efficient to have a joint discussion of the proposals which were inter-related. However, he would, having regard to the circumstances, adjust the speaking time limits of members in an appropriate manner.

56. Regarding the Chairman's statement that while he rejected the request for separate discussion of the proposals in the item, he would adjust the speaking time limits of members in an appropriate manner, Ms Claudia MO sought clarification from the Chairman. In response, the Chairman said that as it would be more time-consuming to have separate instead of joint discussion of the proposals in the item, the proposals in this item would be jointly discussed, and more time would be allowed for members to raise questions on the proposals under this item.

Funding arrangement and effectiveness

57. Dr KWOK Ka-ki and Mr CHAN Chun-ying were concerned about the huge amount of funds sought in this item, and about how the Administration could ensure actual results after securing the allocation.

58. Mr Gary FAN pointed out that the Administration had, in recent years, repeatedly employed the tactics of setting up funds to replace the provision of recurrent expenditure, which had made it difficult for LegCo to monitor the use of such funds. He requested the Administration to explain the reasons why this item was not submitted to LegCo for scrutiny in the form of a dedicated allocation.

59. In response, Secretary for Innovation and Technology ("S for IT") said that:

- (a) the Administration would explicitly focus on the following areas in which Hong Kong had a leading edge and public needs could be met, so as to maximize the results that would

be achieved: biotechnology, artificial intelligence and robotics technologies, financial technology, and smart city;

- (b) in this item, \$10 billion would be used to establish research clusters to attract institutions from the global top echelon to work with universities and research institutions in Hong Kong, in order to give full play to Hong Kong's advantages in biotechnology, artificial intelligence and robotics technologies; and
- (c) another \$10 billion in this item would be allocated to HKSTPC to build research-related infrastructure and facilities, so as to promote the development of research clusters, and also to strengthen support for its tenants/incubatees.

60. Commissioner for Innovation and Technology ("C for IT") said in response that:

- (a) the practice of providing funds under Subhead 992 had remained unchanged all along, i.e. when the Fund was almost exhausted and required further injection, the Administration would seek funding from LegCo;
- (b) the practice adopted for creating New Subhead "Research centres/laboratories for establishment of research clusters" under Head 111 was identical to previous practices, i.e. when new funding schemes were to be introduced under ITF, the Administration would consult LegCo; and
- (c) funding criteria were set out under this item, while committees/panels set up by the Government under the relevant projects would monitor the vetting of and approval for funding applications.

The income and strategic activities of research and development centres as well as commercialization of research and development results

61. Mr CHAN Chun-ying requested the Administration to provide an example where a research and development ("R&D") centre may retain the income generated from ITF-funded projects for use in strategic activities. Mr Holden CHOW enquired about the actual income generated by ITF-funded projects, as well as how the Administration could ensure that overseas R&D institutions participating in a collaborative project would, in

the course of commercializing R&D results, retain Hong Kong elements in the products.

62. In response, C for IT said that:

- (a) examples of strategic activities included participation in international conferences, and engaging in technology development or market trend analyses, etc.;
- (b) take 2017 as an example, the income generated by R&D centres from ITF-funded projects was about \$50 million, of which about \$11 million was clawed back to ITF, with the remainder allocated to relevant organizations subject to the stipulated income-sharing arrangement, or vesting of intellectual property rights; and
- (c) the Administration would require the overseas R&D institutions which set foot in Hong Kong to collaborate with Hong Kong's universities or R&D centres when participating in ITF-funded projects. Under this arrangement, Hong Kong's universities or R&D centres could share the intellectual property rights when R&D results were available.

Purview of the Audit Commission

63. Regarding the situation where the governing boards of the R&D centres might recommend to the Innovation and Technology Commission the usage of the reserve, Mr CHAN Chun-ying asked whether this fell within the purview of the Audit Commission. C for IT replied that R&D centres fell within the purview of the Audit Commission.

Financial position of Innovation and Technology Fund

64. Mr CHAN Chun-ying pointed out that the total amount of injections and income for ITF over the years was \$14.6 billion, and the total amount of funding approved was some \$14 billion, with a difference of \$0.6 billion between the two. However, the uncommitted balance of ITF currently stood at \$1.1 billion. He enquired about the reasons for such discrepancy. C for IT replied that the discrepancy stemmed mainly from the difference between the actual cash requirements and the original commitments of some ITF-funded projects. As the Administration expected that by the end of 2018, ITF would not be able to make new commitments, application for funding from FC was thus required.

Equity injection into the Hong Kong Cyberport Development Holdings Limited

Return period

65. Mr CHAN Chun-ying was concerned about the reasons why the Administration had used 50 years instead of a shorter period to calculate the financial returns in real terms. Acting Deputy Secretary for Innovation and Technology (2) replied that the Administration had along been using 50 years as a calculation yardstick for general CIF projects.

E-sports competition venues and building up e-sports communities

66. Mr AU Nok-hin pointed out that the site to be converted into an e-sports competition venue was located at Cyberport, a site which was not so conveniently accessible. He asked whether the Administration would plan to improve the transport accessibility of Cyberport. Mr AU also asked how the Administration would establish e-sports communities.

67. Ms YUNG Hoi-yan said that the planned e-sports competition venue at Cyberport could only accommodate a relatively small number of spectators. She asked whether it was ITB or Cyberport that would take the lead in promoting major e-sports events, and whether Cyberport would have e-sports professionals who could promote e-sports development in Hong Kong.

68. In response, S for IT said that:

- (a) given that the areas around The University of Hong Kong and along the South Island Line were covered by MTR, Cyberport was conveniently accessible by MTR;
- (b) the planned e-sports competition venue would reach world-class standard after the conversion. The venue could accommodate some 500 spectators. Although the venue would be located at Cyberport, the Administration hoped that driven by the project, e-sports could flourish in Hong Kong;
- (c) a sound ecological environment could nourish e-sports communities. Apart from the venue and the hardware, individual educational institutions have launched e-sports courses; and

- (d) in respect of this project, the Administration would provide the industry base required for e-sports, while Cyberport would be the enforcer of the e-sports policy.

69. Chief Executive Officer, HKCDHL added that:

- (a) Cyberport would increase the frequency of feeder transport in future, and would increase the frequency further during the times when it was anticipated that passenger flow would increase, e.g. when e-sports events were being held in Cyberport;
- (b) currently some Cyberport tenants were planning to set up small-scale e-sports competition venues, organize e-sports training, etc. These plans would be conducive to establishing e-sports communities; and
- (c) Cyberport's rich experience in developing games over the years, together with its facilities, would help promote the development of the e-sports industry.

Mainland-Hong Kong Joint Funding Scheme

70. Regarding the "Guangdong-Hong Kong Technology Co-operation Funding Scheme," a collaboration initiative between the Administration and the Guangdong Province, Mr Holden CHOW enquired about the Hong Kong to Guangdong funding ratio. S for IT replied that under this scheme Hong Kong and Guangdong mainly funded their respective institutions, and the funding ratio between the two places was about half for both sides.

71. The meeting ended at 1:04 pm.