

立法會
Legislative Council

LC Paper No. FC32/20-21
(These minutes have been
seen by the Administration)

Ref : FC/1/1(38)

Finance Committee of the Legislative Council

Minutes of the 39th meeting
held at Conference Room 1 of the Legislative Council Complex
on Monday, 6 July 2020, from 10:48 am to 12:45 pm and
from 4:33pm to 6:29 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, 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-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen

Hon CHAN Han-pan, BBS, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kiwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan, JP
Dr Hon Pierre CHAN
Hon HUI Chi-fung
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS
Hon CHAN Hoi-yan

Members absent:

Hon LEUNG Yiu-chung

Hon LEUNG Che-cheung, SBS, MH, JP
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Raistlin LAU Chun, 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)
Dr David CHUNG Wai-keung, JP	Under Secretary for Innovation and Technology
Ms Eva YAM Ya-ling	Principal Assistant Secretary for Innovation and Technology (3)
Mr Victor LAM Wai-kiu, JP	Government Chief Information Officer, Innovation and Technology Bureau
Mr Daniel CHEUNG Yee-wai	Chief Systems Manager (Common Services), Office of the Government Chief Information Officer
Mr Bobby CHENG Kam-wing, JP	Deputy Director of Administration (1)
Miss Ruby LUK Yuk-shan	Government Records Service Director, Chief Secretary for Administration's Office
Dr CHOI Yuk-lin, JP	Under Secretary for Education
Ms Priscilla TO Kit-lai, JP	Deputy Secretary for Education (2)

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Miss Bowie LAM	Council Secretary (1)1
Miss Queenie LAM	Senior Legislative Assistant (1)2
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Mandy POON	Legislative Assistant (1)1

Action

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

**Item 13 — FCR(2020-21)26
CAPITAL WORKS RESERVE FUND**

HEAD 710 — COMPUTERISATION

Office of the Government Chief Information Officer

New Subhead "Full Implementation of Electronic Recordkeeping System in the Government"

2. The Deputy Chairman advised that this item sought the approval of the Finance Committee ("FC") for a new commitment of \$1,233,728,000 to develop a new Electronic Recordkeeping System ("the proposed ERKS") on the Government's private cloud platform for full implementation in the Government. The Innovation and Technology Bureau ("ITB") consulted the Panel on Information Technology and Broadcasting on the proposal on 20 April 2020.

Progress of implementation of the Electronic Recordkeeping System and the electronization of records

3. Mr WU Chi-wai enquired why the pilot development of Electronic Recordkeeping System ("ERKS") was joined only by 11 government bureaux/departments ("B/Ds") and whether B/Ds would convert their existing paper-based records to electronic format and capture them into the proposed ERKS in future. Mr WU also asked whether the Administration would extend the proposed ERKS to statutory bodies, such as the Hospital Authority ("HA").

4. Mr CHAN Chi-chuen enquired about the implementation progress achieved so far by departments which had piloted to develop, but had yet to fully implement, their own ERKSs (i.e. the Architectural Services Department, the Rating and Valuation Department and the Marine Department). Noting that two B/Ds had indicated plans to convert some of their existing paper-based records to electronic format for archival purposes, he asked whether other B/Ds had devised similar plans.

5. At the request of Mr Charles MOK, Government Chief Information Officer ("GCIO") undertook to provide supplementary information on the timetable for implementing the proposed ERKS in B/Ds after the meeting.

[*Post-meeting note:* The supplementary information provided by the Administration was issued to members vide LC Paper No. FC266/19-20(01) on 12 August 2020.]

6. Noting that it would take about five years to roll out the proposed ERKS, Mr WONG Ting-kwong enquired about the details of the implementation timetable, in particular the procedures for transferring existing records to the proposed ERKS. Raising similar concerns, Mr LUK Chung-hung asked whether B/Ds were required to transfer their existing records to the proposed ERKS before a specific deadline. Dr CHIANG Lai-wan asked, apart from ERKS, whether the Administration had any plans to introduce other electronization initiatives. She also enquired about the progress of those B/Ds which had piloted the development of ERKS and their feedback on the system. Ir Dr LO Wai-kwok and Mr Tony TSE enquired about the details of training given to civil servants in respect of the rollout of the proposed ERKS and the process of optimizing record keeping.

7. In reply, GCIO advised that:

- (a) it would take about one year to establish the proposed ERKS, which was expected to fully implement in the Government in 2025. The Government had consulted those B/Ds which had piloted the system and relevant trades on the implementation of the proposed ERKS. Taking into account the changes arising from the proposed ERKS in the modus operandi (i.e. the shift from using paper records to electronic records) and the time and resources required for providing relevant training, the Government considered that the pace of implementing the proposed ERKS was appropriate with around 10 to 20 systems built each year;
- (b) the Housing Authority under the Housing Department would introduce an ERKS, and the Government would also recommend HA to implement the said system in future;
- (c) two B/Ds currently planned to convert their existing paper-based records to electronic format and keep them in the proposed ERKS, but the relevant paper records would not be disposed of. Other B/Ds could also introduce the said arrangements based on their operational needs in future;

- (d) upon implementation of the proposed ERKS, the B/Ds concerned would, in principle, keep their records in the system. That said, B/Ds would keep paper records for voluminous documents (e.g. annual reports) in order to maintain the integrity of the records. B/Ds concerned would specify the retention period of the existing records in the proposed ERKS according to operational needs;
- (e) apart from the initial delays encountered by the Marine Department in the pilot run of ERKS, other participating B/Ds were satisfied with the performance of the pilot programme. The Government had requested contractors to make improvements to the system after taking into account the feedback from the Department of Justice and the Audit Commission; and
- (f) the Efficiency Office ("EffO") would assist in optimizing the relevant procedures (such as the procedures for electronization of records). The Government had provided training on the implementation of the proposed ERKS, such as seminars organized in collaboration with the Government Records Service ("GRS") and EffO on related topics, as well as elaborating on the rollout of the system during meetings with directorate civil servants. In the past year, 20 briefing sessions had been organized with an aggregate attendance of over 5 000 participants, among them 150 were directorate officers. To further electronize government services, the Government planned to launch the "iAM Smart" service by end 2020, so that the public would be able to replace paper forms with electronic forms under a single digital identity and authentication, thereby facilitating online government and commercial transactions or the handling of other businesses.

8. In response to Mr CHU Hoi-dick's enquiry about the progress of converting the existing government archives into electronic format, Government Records Service Director ("GRSD") said that GRS had all along been committed to promoting the electronization of records so as to facilitate public access to government archives. In 2019, GRS produced over 350 000 digital images of archival records, all of which had been uploaded in succession to its online catalogue for public access.

9. In reply to Mr Frankie YICK's enquiry on whether the proposed ERKS would keep photo records, GRSD said that B/Ds were required to transfer photos appraised as having archival value to GRS for retention

upon expiry of the retention period. GRS would preserve the original photos and reconstruct them as necessary, and would progressively digitalize these photos.

System security measures

10. While expressing support for the funding proposal, Ms Elizabeth QUAT and Ir Dr LO Wai-kwok were concerned about the security measures of the proposed ERKS, such as measures to prevent arbitrary modification of records and information theft from cyberattacks.

11. Raising similar concerns, Mr LUK Chung-hung enquired whether the Administration had consulted the trade on the security design of the proposed ERKS, and whether it would consider restricting the access of certain records to Members of the Legislative Council only. Dr CHIANG Lai-wan requested the Administration to use locally-developed software, instead of foreign software, when developing the proposed ERKS, so as to ensure system security.

12. In reply, GCIO advised that:

- (a) the proposed ERKS would be built on the private cloud platform within government data centres, which were awarded ISO 20 000 certification, an internationally recognized standard regarding information technology service management. With all electronic records encrypted, records in the system would not be vulnerable to compromise or intrusion. To prevent loss of records, records captured into ERKS were backed up and stored in different government data centres;
- (b) records captured into the proposed ERKS could only be deleted by records management staff with proper authority ("records management staff"), yet the records could not be modified. The system would be equipped with an audit trail function to prevent unauthorized deletion. Records could not be deleted arbitrarily, except for those containing errors, and the erased records could be traced using the audit trail function;
- (c) the key factors of consideration in procuring software for the proposed ERKS were whether such software could meet the respective operational needs, uses and security requirements (e.g. functions of record encryption and audit trail for deleted

records) of the B/Ds concerned. The Government would procure software for ERKS in accordance with established government procurement procedures, and would engage independent third parties to verify system security; and

- (d) the proposed ERKS would be designed to allow restricted access to certain records, but it was up to individual B/Ds to decide whether or not to activate such function.

13. Dr CHIANG Lai-wan was not convinced of the Administration's inability to undertake that the proposed ERKS would only use locally-developed software.

14. At the request of Dr Fernando CHEUNG, Deputy Director of Administration (1) ("DDA(1)") undertook to provide supplementary information explaining whether individual B/Ds had promulgated their business rules for records management to the public, as well as the reasons for the B/Ds concerned not taking the initiative to disclose the relevant business rules after the meeting.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC266/19-20(01) on 12 August 2020.]

Procedures and criteria for the modification or deletion of records

15. Ms Claudia MO expressed worries that the appointment of records management staff might impede the Government's efforts in allowing public access to records. She enquired about the criteria adopted by the B/Ds concerned, in particular the Information Services Department, for the selection of records management staff, as well as the rights of these staff members, etc. Mr WU Chi-wai and Dr CHENG Chung-tai enquired about the procedures for modifying and deleting records captured into the proposed ERKS.

16. In reply, DDA(1) and GCIO advised that:

- (a) the proposed ERKS had multiple records management capabilities to maintain the content and structure of records to serve as authentic, complete and reliable evidence and records for enhancing governance and accountability. Records captured into the system would be encrypted and backed up to prevent loss or hacking; and

- (b) B/Ds having implemented the proposed ERKS would formulate business rules for electronic records management depending on their operational needs, in order to deal with such matters as the creation and storage of electronic records, as well as establishing the authorization required for records deletion and specifying the required ranks for staff to be authorized. Records management staff was required to create and store records in compliance with business rules of individual departments. Modification would not be possible for wrongly filed records, and in such case, the misfiled records would have to be deleted before being replaced by the right records. Unless approved by GRSD, B/Ds were not allowed to delete records captured into the system on their own volition. GRS would publish the types and numbers of records destructed by various B/Ds each year.

17. At the request of Mr CHU Hoi-dick, DDA(1) undertook to provide the code of practice (including the nature of records captured into the system, the rank of authorized staff and the rights of individual staff) of various B/Ds on the establishment of relevant authorization for modification to, deletion, destruction of records in the proposed ERKS or their transfer to GRS for permanent retention upon the end of the records' life cycle after the meeting.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC266/19-20(01) on 12 August 2020.]

System functionalities and technology

18. Mr Charles MOK asked whether the Government's existing email system would automatically connect to ERKS, so that users in B/Ds would handily save records, such as emails, reducing the risk of inadvertent loss or unauthorized destruction of records.

19. Dr Fernando CHEUNG enquired whether the software of the proposed ERKS could accommodate any future amendments, if any, to the laws concerning government records (e.g. the passage of legislation on freedom of information and the archives law).

20. Given that some B/Ds had already developed their own cloud service platforms, Mr WU Chi-wai enquired whether individual B/Ds would stick with their own cloud services after the full implementation of the proposed ERKS in the Government, or switch to the Government's

private cloud service instead, and he enquired about the timetable for developing the Government's private cloud service. Mr WU also asked how the Administration would categorize certain filled-in forms (e.g. tax returns) submitted by members of the public and whether these forms would be captured into ERKS.

21. In reply, DDA(1) and GCIO advised that:

- (a) the Government's private cloud was expected to be completed in September 2020. By then, cloud services of various departments would be connected to the Government's private cloud with a view to enhancing the overall security of the Government's cloud service;
- (b) the email system and the proposed ERKS would be interconnected to facilitate users' importation of email records to the latter. The existing email system was not equipped with the function to trace erased records, but the proposed ERKS would be able to do so; and
- (c) in general, information stored in ordinary computers (e.g. data collected through computer systems) was structured data whereas the proposed ERKS was specifically designed for the storage of unstructured data, including documents that required paper printouts, most of which were email records. Electronic records classified as confidential or below would be captured into ERKS while secret records would continue to be preserved in paper format. For records in the system which B/Ds had authorization to modify, the final version would be the last updated version.

22. At the request of Mr CHU Hoi-dick, GCIO undertook to provide supplementary information on the software packages to be adopted for development of the proposed ERKS, the functionalities available in the software packages to control/track the actions made by authorized staff with regard to modification to, deletion and destruction of records, and ensure that B/Ds' comply with related practices when performing the relevant functions after the meeting.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC266/19-20(01) on 12 August 2020.]

23. Mr Tony TSE enquired whether the proposed ERKS could support such functions as search of electronic records and analysis of information contained in different electronic records across B/Ds. Ir Dr LO Wai-kwok asked whether the data and records kept by various departments in the proposed ERKS could be shared and interoperated, and whether they would be made available to private enterprises and the public for reference purposes.

24. In reply, DDA(1) and GCIO advised that:

- (a) regarding the interconnectedness and interoperability of data kept by various departments, one example was the ongoing collaboration between the Office of the Government Chief Information Officer and the Transport Department ("TD") in the development of an online platform to assist TD's collection and analysis of traffic data, and such data would be made available for public information; and
- (b) the proposed ERKS aimed to facilitate users' retention of records that needed to be preserved. All B/Ds would continue to handle their records in accordance with their business rules for records creation and collection.

25. At 12:45 pm, the Deputy Chairman declared that the meeting be suspended.

26. The meeting resumed at 4:33 pm. The Chairman took chair of the meeting.

Cost effectiveness of the system

27. Mr Tony TSE enquired about the cost savings to be achieved by the Government following the implementation of the proposed ERKS. Mr LUK Chung-hung asked whether the provision of about \$1.2 billion for the development of the proposed ERKS covered staffing expenditure incurred by various B/Ds, and whether the Government had assessed the overall benefits to be brought about by the system. Mr WONG Ting-kwong considered that the development cost of the proposed ERKS was enormous, in particular the contingency provision of about \$100 million, and he asked the reasons for that.

28. Mr SHIU Ka-chun enquired how the Administration worked out the manpower savings of over \$225 million to be achieved by the proposed ERKS per year, as well as the estimated recurrent expenditure to be

incurred by the system in 2027-2028.

29. Noting that there would be no significant changes in the non-recurrent expenditure to be incurred by the hardware of the proposed ERKS from 2021-2022 to 2025-2026, Dr Fernando CHEUNG asked why the non-recurrent expenditure on software would keep rising.

30. In reply, GCIO advised that:

- (a) the implementation of the proposed ERKS was expected to achieve a cost savings of over \$260 million for B/Ds according to the projection based on data provided by EffO. In addition, ERKS could offer better security control and audit trail, which would help reducing the risk of inadvertent loss or unauthorized destruction of records. ERKS could also enhance the operational efficiency of B/Ds as government staff members could access the same file simultaneously. The Government could only further work out the projected expenditure after the conclusion of the tender exercise and taking other factors into account;
- (b) upon the commissioning of ERKS on the Government's private cloud, hardware expenditure would gradually increase, depending on utilization. As for the non-recurrent expenditure on software, with around 10 to 20 B/Ds joining the proposed ERKS every year and the prediction that quite a lot of users from B/Ds would join the system in 2022-2023, the non-recurrent expenditure on software would therefore increase more substantially in the subsequent years;
- (c) ERKS would be extended to all B/Ds (with a user base of about 180 000 civil servants). The Government estimated that the non-recurrent expenditure would be about \$6,800 per user, while the processing cost for each record would be less than \$10. The amount of contingency provision would be equivalent to 10% of the overall project cost, and would be returned to the Treasury if eventually left unspent; and
- (d) the manpower resources required for taking forward the proposed ERKS varied among B/Ds, some of which might not need additional manpower indeed. B/Ds could bid for additional manpower resources under the annual Resource Allocation Exercise if necessary.

Tendering procedures and criteria

31. Mr Frankie YICK and Dr CHIANG Lai-wan enquired about the tender assessment criteria for the proposed ERKS. GCIO advised that the tender exercise would be conducted in accordance with the pro-innovation government procurement policy, under which innovative technologies adopted by the tenderer would be given a technical weighting of 50% to 70% in the assessment, while the price weighting would range from 30% to 50%. In addition, to attract small and medium enterprises and start-ups to take part in the tender exercise, the Administration had not specified any experience required for contractors to participate in the tendering.

32. At the request of Mr Wilson OR, GCIO undertook to provide the following supplementary information after the meeting:

- (a) the tender assessment criteria of this project and specific measures to monitor the performance of successful contractors, including but not limited to key performance indicators; and
- (b) upon expiry of the service contract of the original contractor, the considerations and criteria to be adopted by the Government when reviewing whether the same contractor should be appointed so as to avoid the perception of possible conflict of interest and/or monopoly.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC266/19-20(01) on 12 August 2020.]

Impact of the implementation of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region

33. Mr CHAN Chi-chuen enquired, upon implementation of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region ("National Security Law"), whether departments responsible for the enforcement of the National Security Law (e.g. the Committee for Safeguarding National Security of the Hong Kong Special Administrative Region ("HKSAR"), the Department of Justice and the Police Force) would keep their records in the proposed ERKS. Raising similar concerns, Mr WU Chi-wai enquired how the Administration would handle requests made by the Office for Safeguarding National Security of the Central People's Government in the HKSAR ("CPG Office on National Security") regarding the deletion of

records captured into the proposed ERKS.

34. Mr Jeremy TAM enquired whether officers of the CPG Office on National Security had the power to demand access to records captured into the proposed ERKS, as well as the relevant procedures for accessing records.

35. Dr KWOK Ka-ki and Dr Fernando CHEUNG enquired whether the Administration had assessed the impact of the implementation of the National Security Law on the operation of the proposed ERKS. They were worried that the Administration would, in the absence of scrutiny, pass the records captured into ERKS to the CPG Office on National Security after the National Security Law came into effect.

36. In reply, Under Secretary for Innovation and Technology and GCIO advised that:

- (a) the proposed ERKS aimed to preserve government records with archival value and enhance administrative efficiency. The use of records captured into ERKS would be subject to the laws of Hong Kong while the rollout of the proposed ERKS did not contravene the National Security Law;
- (b) basically, all paper records would be captured into the proposed ERKS in accordance with the code of practice adopted by B/Ds, except for those classified as secret records, which must be preserved in paper format; and
- (c) the proposed ERKS was designed for use by B/Ds of the HKSAR Government, and the CPG Office on National Security was not a department of the HKSAR Government. All B/Ds would grant relevant rights to access records captured into ERKS based on their operational needs.

Voting on FCR(2020-21)26

37. At 5:22 pm, the Chairman put item FCR(2020-21)26 to vote. At the request of members, the Chairman ordered a division. The Chairman declared that 28 members voted in favour of and 12 members voted against the item, and no member abstained from voting. The votes of individual members were as follows:

For:

Prof Joseph LEE Kok-long	Mr WONG Ting-kwong
Ms Starry LEE Wai-king	Dr Priscilla LEUNG Mei-fun
Mr WONG Kwok-kin	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
Ms Alice MAK Mei-kuen	Mr KWOK Wai-keung
Mr Christopher CHEUNG Wah-fung	Mr POON Siu-ping
Dr CHIANG Lai-wan	Ir Dr LO Wai-kwok
Mr Jimmy NG Wing-ka	Dr Junius HO Kwan-yiu
Mr SHIU Ka-fai	Ms YUNG Hoi-yan
Dr Pierre CHAN	Mr CHAN Chun-ying
Mr LUK Chung-hung	Mr LAU Kwok-fan
Mr Tony TSE Wai-chuen	Ms CHAN Hoi-yan

(28 members)

Against:

Ms Claudia MO	Mr WU Chi-wai
Mr CHAN Chi-chuen	Dr Fernando CHEUNG Chiu-hung
Dr Helena WONG Pik-wan	Mr Alvin YEUNG
Mr Andrew WAN Siu-kin	Mr LAM Cheuk-ting
Mr SHIU Ka-chun	Dr CHENG Chung-tai
Mr KWONG Chun-yu	Mr Jeremy TAM Man-ho

(12 members)

38. The Chairman declared that the item was approved.

Item 14 — FCR(2020-21)27

HEAD 184 — TRANSFERS TO FUNDS
New Subhead "Payment to the Loan Fund"

LOAN FUND

HEAD 252 — LOANS TO SCHOOLS/TEACHERS
Subhead 104 Loans to non-profit-making international schools
Capital assistance loan to the Christian Alliance International School Limited, the French International School "Victor Segalen" Association Limited, the Malvern College Hong Kong Limited and the Shrewsbury International School Hong Kong Limited

39. The Chairman advised that the item invited FC to approve:
- (a) the creation of a new subhead "Payment to the Loan Fund" under Head 184 Transfers to Funds and a supplementary provision of \$1,443.45 million under the new subhead to enable the creation of four commitments for providing interest-free loans to non-profit-making international schools; and
 - (b) four commitments under Head 252 Loans to Schools/Teachers Subhead 104 Loans to non-profit-making international schools of the Loan Fund for providing four interest-free loans of:
 - (i) \$518.74 million to the Christian Alliance International School Limited for meeting part of the construction cost of its new school premises at King Lam Street, Cheung Sha Wan, Kowloon;
 - (ii) \$317.96 million to the French International School "Victor Segalen" Association Limited for meeting part of the construction cost of its new school premises at Tong Yin Street, Tseung Kwan O, New Territories;
 - (iii) \$319.73 million to the Malvern College Hong Kong Limited for meeting part of the construction cost of its new school premises at Fo Chung Road, Tai Po, New Territories; and
 - (iv) \$287.02 million to the Shrewsbury International School Hong Kong Limited for meeting part of the construction cost of its new school premises at Shek Kok Road, Tseung Kwan O, New Territories.

40. At the invitation of the Chairman, Mrs Regina IP, the Chairman of Panel on Education, said that the Education Bureau ("EB") had sought the Panel's views on the funding proposal on 8 May and 5 June 2020. Members supported the Administration's submission of the proposal to FC for consideration. At the meeting, members raised concerns on tuition fees and school charges of international schools, as well as on repayment arrangements. Some members pointed out that international schools collected exorbitant charges beyond the reach of ordinary families. They considered that the Administration should strengthen the monitoring of

school charges and set up sufficient scholarship schemes so that students from different social strata could be admitted to international schools. Some other members were of the view that having only one school in Hong Kong to provide special education in English was not enough. They wished that international schools would provide integrated education for students with special education needs ("SEN"). The Panel also passed two motions on the proposal.

41. Mrs Regina IP agreed that more schools providing special education in English should be established. As for some members' suggestion that the Government should set up sufficient scholarship schemes for students from different social strata to study in international schools, Mrs Regina IP said that, to her understanding, local governments generally provided local students with free or subsidized education, while international schools were for children from expatriate families.

Control over fees and charges by international schools

42. Ms Claudia MO said that, in addition to school fees, international schools also collected other charges, e.g. debentures, nomination rights or capital levies. She enquired whether the Administration had made any suggestions or exerted control on those charges.

43. Mr Jeremy TAM noted that other charges collected by some international schools were almost equal to 20% of their annual school fees. He was of the view that international schools should be more transparent in collecting other charges. Mr TAM enquired how the Administration monitored the collection of such fees by international schools.

44. Mr IP Kin-yuen expressed similar concerns. He was of the view that the operation of international schools (including issuance of debentures and charges on nomination rights) should be more open and transparent as they were provided with interest-free loans and concessionary land grants for construction of new school premises. He enquired how the Administration monitored other charges of international schools.

45. Mr Holden CHOW enquired whether the four international schools under the item would involve receipt of double benefits if they were allowed to go on issuing debentures and collecting other charges from students after obtaining the Government's interest-free loans for development of new school premises. He also enquired whether the Administration had monitored international schools' adjustments of debenture fees and their numbers of debenture issuance.

46. Under Secretary for Education ("US(Ed)") and Deputy Secretary for Education (2) ("DS(Ed)2") replied that :

- (a) international schools were private schools operating on a self-financing and market-driven basis. The Government would not provide recurrent subvention or pay for the costs of construction, repair and maintenance of their school premises. To tie in with school development, some international schools opted to raise funds through loans or different fund raising programmes (including issuance of debentures and charges on nomination rights, etc.) to cover related expenses;
- (b) the Administration had all along requested international schools to submit applications for collecting and adjusting fees at least four months before the start of new school year, and provide information such as relevant rationales and their financial conditions; and
- (c) it is understood that parents of international school students were concerned about the details of other charges of the schools. The Government was currently enhancing the monitoring measures over the fund raising programmes of international schools with a view to formulating a set of vetting and monitoring mechanism which would be more comprehensive. The Government would continue to maintain communication with international schools on the enhancement measures and take into account the schools' actual situation and development needs, as well as stakeholders' concerns.

Scholarships or financial assistance for needy students

47. Mr SHIU Ka-chun noted that, according to the Service Agreements ("SAs") between the Administration and international schools, schools were required to reserve 10% of the total tuition income to provide needy students with scholarships or financial assistance. He enquired why the four schools involved in the funding proposal had allocated different proportions of funding in 2018-2019 and the measures of the Administration to assist students with financial hardship who were eligible for admission to international schools.

48. Dr Helena WONG and Dr Fernando CHEUNG expressed similar concerns. Dr WONG enquired about the number of students who received scholarships/financial assistance from international schools. Dr CHEUNG was of the view that the proportion required of international

schools to set aside 10% of their total tuition income to provide needy students with scholarships or financial assistance was too low.

49. US(Ed) and DS(Ed)2 responded that:

- (a) SAs signed between the Government and the School Sponsoring Bodies ("SSBs") of non-profit-making international schools stipulated that schools had to utilize 10% of the total tuition income every school year on providing needy students with scholarships and/or other financial assistance. During student enrolment, international schools should primarily consider whether students could fulfill the entrance requirements, instead of the financial conditions of their families;
- (b) the four international schools involved in the funding proposal all complied with the above term and reserved funding for scholarships and bursaries, respectively utilized 10% to 57% of the reserved funding to provide needy students with scholarships or financial assistance in 2018/19 school year; and
- (c) of the four international schools involved in the loan proposal, three of which commenced operation since 2018. Therefore, the proportions of granting scholarships/financial assistance were relatively low. However, as shown in the figures for 2019/20 school year (as at May 2020), the proportions and amounts of scholarships/financial assistance granted by the four schools had increased. For example, Shrewsbury International School Hong Kong reserved \$4.55 million for scholarships in 2019/20 school year, benefiting more than 300 students. In addition, the four international schools said that more funding had been granted to needy students in response to the impact of the COVID-19 pandemic.

Allocation of resources for international school development

50. Mr LUK Chung-hung enquired whether the Administration had granted land at concessionary premiums to the international schools involved in this funding proposal for the construction of new school premises, and how the Administration would handle the situation in case of subsequent default or even closure of international schools which were granted loans.

51. Mr CHAN Han-pan expressed similar concerns and enquired about the Administration's criteria for determining that the international schools with land granted for new school premises were non-profit-making.

52. Dr Fernando CHEUNG considered that international schools often obtained interest-free loans or concessionary land grants from the Government for constructing school premises. However, development of some public schools could only be done by converting old school premises. He enquired why the resources allocated to the two types of schools had the above difference.

53. US(Ed) and DS(Ed)² responded that:

- (a) according to existing policy, SSBs which were allocated school premises or greenfield sites under the School Allocation Exercise for the construction of international schools had to be organizations exempt from tax under Section 88 of the Inland Revenue Ordinance (Cap 112) (and maintain their tax-exempt status during the contract period) in order to obtain the Government's approval for renting school premises at nominal rents or using land granted at nominal premiums for the operation of international schools. The SAs signed between the Administration and the relevant SSBs had already stipulated such requirements;
- (b) SSBs and school operators of international schools also had to include in their Memorandum and Articles of Association ("M&A") standard provisions to ensure that their income and property had to be applied solely towards the promotion of objects of the association stipulated in the M&A, and that no portion of the income and property should be paid or transferred directly or indirectly, by way of dividend, bonus or otherwise howsoever to any members of the association ;
- (c) the school proposals of the four international schools involved in the funding proposal had already included provision of relevant support to students with SEN;
- (d) construction/maintenance of school premises and daily operating expenses of public schools were generally funded by the Government; and
- (e) as for interest-free loans, the Administration would sign agreements with the SSBs concerned, which would set out the

repayment arrangements covering terms on contract termination, penalty for payment in arrears and the legal charges as security against the loans, etc. In the event that the schools concerned closed down, the Administration would make repayment of the loan a first call upon the liquidated assets of the schools. In case of default of repayment of the loan, the Government would take possession of the premises and assets of the school concerned.

Student enrolment of international schools

54. Dr Helena WONG enquired whether the Administration had reassessed the demand for international school places in relation to the recent social incidents, and enquired about the proportion of local and foreign students in international schools.

55. Mr Holden CHOW enquired whether international school places were reserved for those students who met the entry requirements but faced with financial hardship. He considered that if there was such a measure, the Administration or international schools should step up publicity.

56. US(Ed) responded that:

- (a) in 2012 and 2017, the Government published consultancy reports on the demand for international school places to assess whether there were sufficient international school places for expatriate children in Hong Kong. The Administration noted that, due to the impact of the COVID-19 pandemic, certain international schools had relatively more non-local students returning to their places of origin, resulting in higher losses of international school students and a fall in enrolment this year. However, it was expected that the impact would be short-term; and
- (b) since 2007, the Government had required international schools allocated with school premises or greenfield sites to enrol no less than 50% of non-local students, and the ratio had been raised to 70% since 2009. The overall fill-up rate of international schools was 89% and the proportion of non-local students enrolled was 74% in 2019/20 school year.

Diversification of education

57. Mr CHAN Han-pan enquired whether the Administration would consider allocating more resources in promoting the development of international schools and Direct Subsidy Scheme schools in order to achieve diversification of education and assist SSBs to take care of the education needs of ethnic minority students.

58. US(Ed) responded that international schools mainly targeted non-local students. Regarding the education needs of non-Chinese speaking students (including ethnic minority students), the Administration was committed to encouraging and assisting their early integration into society, and had devoted resources to help them adapt to the local education system and learn Chinese. The Administration would continue to provide non-Chinese speaking students with a number of educational services and provide school administrators, teachers and parents with relevant support.

Impact of the implementation of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region

59. Mr SHIU Ka-chun said that although the Administration stated at the meeting of the Panel on Education that the National Security Law would not affect school operation, parents were still unclear whether individual schools would teach National Security Law. Mr HUI Chi-fung enquired whether international schools had to teach National Security Law.

60. In response, US(Ed) said that the Government would provide schools with appropriate teaching materials on the National Security Law to assist teachers' efforts in teaching the law concerned, thereby cultivating a law-abiding spirit among students.

61. The meeting ended at 6:29 pm.