

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 40th meeting
held at Conference Room 1 of the Legislative Council Complex
on Tuesday, 7 July 2020, from 10:49 am to 12:04 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-yea, 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 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
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 SHIU Ka-fai, JP
Hon SHIU Ka-chun
Hon YUNG Hoi-yan, JP
Dr Hon Pierre CHAN
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
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 CHAN Hoi-yan

Members absent:

Hon LEUNG Yiu-chung
Hon Frankie YICK Chi-ming, SBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Holden CHOW Ho-ding
Hon Wilson OR Chong-shing, MH
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS

Public officers attending:

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 CHOI Yuk-lin, JP	Under Secretary for Education
Ms Priscilla TO Kit-lai, JP	Deputy Secretary for Education (2)
Mr TE Chi-wang	Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6, Financial Services and the Treasury Bureau
Ms Phyllis MCKENNA	Official Receiver
Mr Ronald FU Kam-wong	Assistant Official Receiver (Case Management), Official Receiver's Office
Mr Richard TANG Yuk-tung	Chief Insolvency Officer (Information Technology and Technical), Official Receiver's Office
Mr Lawrence CHOW Siu-kui	Systems Manager (Information Technology Management Unit) 2, Official Receiver's Office

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

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

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**

Continuation of the discussion on FCR(2020-21)27

The Finance Committee ("FC") continued with the discussion on item FCR(2020-21)27.

Control mechanism for international schools

2. Mr IP Kin-yuen expressed support for the funding application. To his understanding, some international schools had indicated that they would be in a position to reduce school fees and other charges (including debentures) after repayment of the loans for the construction of school premises. Noting the Administration's intention to enhance the monitoring measures and vetting mechanism in relation to the collection of fees and charges by international schools, he asked whether consideration would be given to formulating the relevant criteria (including setting a price ceiling for debentures issued by international schools). He also sought details of the control mechanism and requested the Administration to report the detailed progress of the relevant work to the Panel on Education.

3. Mr YIU Si-wing asked how the Education Bureau ("EDB") could regulate the fees and charges collected by international schools (including whether financial reports of international schools would be reviewed regularly), in order to prevent any misuse of the interest-free loans provided by the Government.

4. In response, Under Secretary for Education ("US(Ed)) pointed out that when scrutinizing applications from international schools on school fee adjustments and collection of other charges (such as debentures), EDB

would consider various factors such as the proposed use of the fees and charges, whether the applications were justified, the financial situation and development needs of the schools concerned, as well as communication with parents. In addition, international schools provided with greenfield sites or vacant school premises for development would need to submit annual audited financial reports to EDB. Deputy Secretary for Education (2) ("DS(Ed)2") supplemented that in order to enhance the monitoring measures and vetting mechanism in relation to the collection of fees and charges by international schools, EDB had requested such schools to submit information on the specific use of the relevant fees and charges, which was expected to increase the transparency of the fees and charges collected. She further said that as other charges collected by international schools were mainly used towards funding of special projects and development plans, EDB would request the schools concerned to submit financial information on such projects and plans. EDB would take follow-up actions if it was found that school fees and other charges collected by international schools were not used for school operation. The funding application under discussion was related to four international schools, and other charges they collected were levied on a voluntary basis. The schools had indicated that they would be in a position to review their financial position after repayment of the loans for the construction of school premises.

5. Expressing support for the funding application, Mr Steven HO pointed out that since teaching activities of international schools and traditional patriotic schools were less involved in political issues, the public had an increasing demand for such schools. He considered that the Administration should increase funding support for traditional patriotic schools and strengthen monitoring on teachers, so that they would not advocate their own political ideas in schools. Meanwhile, Dr KWOK Ka-ki considered that the Administration should strengthen support for local public sector schools.

6. In response, US(Ed) said that international schools and local public sector schools were geared towards different target students. Students of international schools were mainly from non-local families, and students of local public sector schools were mainly from local families. In addition, local public sector schools would operate according to their education philosophies with different subvention modes, and parents had a free choice of schools. Meanwhile, EDB would constantly improve Hong Kong's education system, as well as the relevant monitoring measures.

Development of international schools

7. Dr KWOK Ka-ki said that after The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region ("the National Security Law") had come into force, many middle-class families planned to emigrate or send their children abroad for studies. He was worried that the demand for local international schools might be greatly reduced. He enquired whether the Administration had discussed relevant matters with the education sector and the international schools concerned, with a view to reassessing the demand for and avoiding an oversupply of international school places as it might result in the default of repayment of the interest-free loans provided by the Administration on the part of some international schools.

8. Mr IP Kin-yuen considered that the Administration should review the impact of the National Security Law on the demand for international school places and report its review findings (including whether there should be a change to the local student mix of international schools) to the Panel on Education.

9. Mr YIU Si-wing said that although the implementation of the National Security Law might cause a brief tide of emigration, those emigrants might return to Hong Kong in the future. He enquired whether the Administration had assessed the short, medium and long-term demand for international school places.

10. In response, US(Ed) said that EDB would review the short, medium and long-term demand for international school places from time to time. For example, EDB had reviewed the demand for international school places in 2012 and 2017 respectively. According to the 2017 review report, Hong Kong would not have a shortfall of international school places before the 2022-2023 school year.

11. Regarding the impact of the National Security Law, US(Ed) said that so far, EDB had not been informed by the four international schools concerned that the National Security Law had any significant impact on their operation. She also pointed out that according to the established policy, the interest-free loans provided to international schools would be capped at 100% of the cost for constructing a standard-design public sector school accommodating the same number of students, and EDB would review the overall financial situation of the schools concerned accordingly.

12. Mr HUI Chi-fung noted that the objective of the Government's policy on international school development was to attract foreign

investment and professionals to Hong Kong, thereby strengthening Hong Kong's role as Asia's World City. Considering that the implementation of the National Anthem Ordinance and the National Security Law was running counter to the said policy objective, he enquired whether international schools would be allowed to admit more local students. Separately, he asked whether any international school teachers had been involved in suspected cases of professional misconduct in relation to the recent social incidents.

13. In response, US(Ed) said that taking into account the impact of the COVID-19 pandemic, EDB would flexibly deal with cases where individual international schools could not meet the non-local student mix ratio. Schools could also adjust the number of places offered according to the admission and teacher recruitment situations. Separately, she said that EDB did not have a breakdown of information on recent professional misconduct cases of teachers by different school categories. DS(Ed)2 supplemented that international schools were required to meet the conditions as stipulated in their respective Service Agreements with EDB (including the student mix ratio). If international schools suddenly admitted a large number of local students, they might have difficulty in meeting the schooling needs of non-local families in the future.

14. In response to Mr IP Kin-yuen's enquiry, US(Ed) confirmed that the circular entitled "Implementation of The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region" issued by EDB on 3 July 2020 was also applicable to international schools.

15. Mr Abraham SHEK declared that he was the Chairman of the Board of Governors of the English Schools Foundation. Expressing support for the funding application, he pointed out that it was necessary for Hong Kong to develop the international school sector in order to attract talents to come to Hong Kong, thereby maintaining Hong Kong's status as an international financial and trading centre. Mr SHEK also saw a need for the Administration to review the policy of international school development (e.g. whether international schools should reserve a certain number of places for ethnic minority students) and improve the control mechanism (which included ensuring that international schools would allocate sufficient funds to support students with financial difficulties).

16. US(Ed) said that generally, international schools would not set any quota for scholarships, and subsidies would be provided to needy students as appropriate.

Arrangements of the interest-free loans

17. Mr WU Chi-wai sought details about the repayment plans of the interest-free loans provided to international schools, such as whether international schools would repay the interest-free loans mainly by the collection of school fees and other charges, whether there was room for international schools to lower their school fees after repayment of the loans for the construction of school premises, and how the Administration could ensure that international schools would use all savings of interest payments arising from the interest-free loans for teaching purposes and/or reducing school fees.

18. In response, DS(Ed)2 said that the interest-free loans provided to international schools would be repaid over a period of 10 years through a fixed monthly instalment. To alleviate the impact of the COVID-19 pandemic, the first instalment would be due two years after the drawdown of loans by the four international schools. Since international schools were private schools operating on a self-financing and market-driven basis, the Government only charged a nominal premium for the land granted to them for the construction of school premises. As the Government did not provide any recurrent subvention for their operation, the international schools would repay the interest-free loans mainly through the collection of school fees and other charges. She added that the construction costs incurred by the four international schools were all higher than the amounts of interest-free loans stated in the funding application, and the schools would generally take out other loans to cover the construction costs. After repayment of the loans, the schools must still raise funds to pay for the construction of new facilities and the maintenance of school premises. Separately, those international schools must submit annual audited financial reports to EDB and set aside 10% of the total income from school fees as scholarships and/or other financial assistance ("the earmarked amount of financial assistance") for needy students.

19. Mr WU Chi-wai enquired whether the amount of interest forgone of the interest-free loans to the Administration (estimated to be around \$297 million) was more or less equivalent to the earmarked amount of financial assistance of the four international schools.

20. In response, US(Ed) and DS(Ed)2 said that international schools were non-profit-making educational institutions, and all income must be used for teaching purposes and improving teaching facilities. Savings of interest payments arising from the interest-free loans provided to the four international schools could fund their development and service provision, while giving them space to contemplate school fee adjustment.

21. Dr KWOK Ka-ki asked why the four international schools applied for the interest-free loans after the new school premises had been constructed, and what arrangements would be made by the Administration in case of default of repayment of the interest-free loans by the schools.

22. US(Ed) said that under the prevailing policy, there was no time limit for the application of loans by schools for the construction of school premises. Regarding the repayment arrangements, the Administration would sign a loan deed with each of the school sponsoring bodies concerned, specifying the clause on termination of the deed and the penalty for overdue payment. The Government would make repayment of the loan a first call upon the liquefiable assets of the school in the event of school closure. In case of default of repayment of the loan, the Government would take possession of the premises and assets of the school concerned.

23. At 11:21 am, the Chairman "drew a line" for members' questions.

24. In response to Mr CHU Hoi-dick's enquiry, the Chairman said that the meeting would end after all items on the agenda had been dealt with.

Motion proposed by a member under paragraph 37A of the Finance Committee Procedure

25. At 11:44 am, members voted on whether the [motion](#) proposed by Dr Fernando CHEUNG under paragraph 37A of the Finance Committee Procedure ("the FCP 37A motion") should be proceeded with forthwith. The Chairman put to vote the question that the FCP 37A motion should be proceeded with forthwith. At the request of members, the Chairman ordered a division. The Chairman declared that the question on proceeding with the motion forthwith was [negatived](#).

Voting on FCR(2020-21)27

26. At 11:49 am, the Chairman put item FCR(2020-21)27 to vote. At the request of members, the Chairman ordered a division. The Chairman declared that 38 members voted in favour of and 11 members voted against the item, and 1 member abstained from voting. The votes of individual members were as follows:

For:

Mr James TO Kun-sun
Mr Tommy CHEUNG Yu-yan
Mr Jeffrey LAM Kin-fung

Mr Abraham SHEK Lai-him
Prof Joseph LEE Kok-long
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 YIU Si-wing
Mr MA Fung-kwok	Mr Charles Peter MOK
Mr CHAN Han-pan	Mr Kenneth LEUNG
Mr Christopher CHEUNG Wah-fung	Dr Helena WONG Pik-wan
Mr IP Kin-yuen	Ms Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Dr CHIANG Lai-wan	Mr Andrew WAN Siu-kin
Mr Jimmy NG Wing-ka	Mr LAM Cheuk-ting
Mr SHIU Ka-fai	Ms YUNG Hoi-yan
Mr CHAN Chun-ying	Mr CHEUNG Kwok-kwan
Mr HUI Chi-fung	Mr LUK Chung-hung
Mr LAU Kwok-fan	Mr Kenneth LAU Ip-keung
Mr KWONG Chun-yu	Ms CHAN Hoi-yan
(38 members)	

Against:

Ms Claudia MO	Mr CHAN Chi-chuen
Dr KWOK Ka-ki	Mr Dennis KWOK Wing-hang
Dr Fernando CHEUNG Chiu-hung	Mr Alvin YEUNG
Mr CHU Hoi-dick	Mr SHIU Ka-chun
Ms Tanya CHAN	Dr CHENG Chung-tai
Mr Jeremy TAM Man-ho	
(11 members)	

Abstained:

Dr Junius HO Kwan-yiu
(1 member)

27. The Chairman declared that the item was approved.

**Item 15 — FCR(2020-21)32
CAPITAL WORKS RESERVE FUND**

HEAD 710 — COMPUTERISATION

Official Receiver's Office

New Subhead "Implementation of an Electronic Submission System"

28. The Chairman advised that the item invited FC to approve a new commitment of \$37,986,000 for the Official Receiver's Office ("ORO") to

implement an Electronic Submission System ("ESS").

29. Mr Christopher CHEUNG, Chairman of the Panel on Financial Affairs, briefed members on the outcome of discussion by the Panel. He said that when the funding proposal was discussed by the Panel on 4 May 2020, members were generally supportive of the proposal. Members called on ORO to make reference to various systems for electronic submission of documents implemented by other government departments to facilitate its development of ESS, with a view to providing convenience to the trade and reducing its operating costs. There was also a suggestion from members that ORO should use Government cloud services for ESS to enhance efficiency and ensure system security.

30. Mr CHAN Chi-chuen noted that the funding application involved a recurrent expenditure of \$3.514 million for the engagement of contract staff (i.e. item (d) in paragraph 20 of the Administration's paper) and a non-recurrent expenditure of \$3.174 million for the engagement of contract staff (i.e. item (e) in paragraph 7 of the Administration's paper). He sought details from the Administration on the former item of expenditure and asked whether the employment period of contract staff under the latter item would be up to 2025. He also enquired whether the Administration had estimated the cost and manpower savings to be achieved through ESS.

31. In response, Official Receiver ("OR") said that there was a need to hire contract staff to maintain flexibility. Recurrent expenditure for the employment of contract staff was for hiring contract clerical staff to scan the paper documents submitted, information technology professional staff to supplement the in-house maintenance team on maintenance of application and infrastructure, and enhancement of the new system, and contract accounting staff to handle the prepayment accounts. If the utilization rate of ESS was higher than expected (i.e. 50%), the number of contract staff to be hired might be reduced. ORO would review the demand for contract staff continuously, taking into account the implementation progress of ESS. She also said that while ESS would enhance the efficiency of ORO's work and improve user experience, it was difficult to quantify the cost and manpower savings to be achieved at this stage.

32. Mr Alvin YEUNG asked whether ORO had any plans to implement a full electronic system for the document submission procedures and what the relevant timetable. He said that some users might still need to submit paper documents and ORO should cater for the need of those users. Mr YEUNG also enquired whether the Administration had assessed the difficulties that might be encountered by lawyers and individuals when

using ESS.

33. In response, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6, Financial Services and the Treasury Bureau said that while the Administration had all along encouraged the use of ESS by stakeholders, there was no plan at this stage to make it mandatory for all users to submit documents electronically. OR supplemented that it was still necessary for some documents (e.g. court documents) to be submitted in paper forms. OR also said that it was expected that most stakeholders (including financial institutions, creditors and Private Sector Insolvency Practitioners) would benefit from ESS. In anticipation that some bankrupts would also submit documents through ESS, ORO would take their needs into consideration when designing the system.

Voting on FCR(2020-21)32

34. At 12:04 pm, the Chairman put item FCR(2020-21)32 to vote. The Chairman declared that the majority of the members present and voting were in favour of the item. The item was approved.

35. The meeting ended at 12:04 pm.

Legislative Council Secretariat

6 October 2020