

立法會
Legislative Council

LC Paper No. FC313/15-16
(These minutes have been
seen by the Administration)

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Finance Committee of the Legislative Council

Minutes of the 67th meeting
held at Conference Room 1 of the Legislative Council Complex
on Saturday, 28 May 2016, at 4:40 pm

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon IP Kwok-him, GBS, JP
Hon LEUNG Kwok-hung
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming, JP
Hon YIU Si-wing, BBS
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP

Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon Dennis KWOK
Hon IP Kin-yuen
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS
Hon Alvin YEUNG Ngok-kiu

Members absent:

Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon WU Chi-wai, MH
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP

Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Dr Hon Elizabeth QUAT, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP

Public officers attending:

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| Ms Elizabeth TSE Man-ye, JP | Permanent Secretary for Financial Services and the Treasury (Treasury) |
| Ms Esther LEUNG, JP | Deputy Secretary for Financial Services and the Treasury (Treasury) ¹ |
| Mr Alfred ZHI Jian-hong | Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch) |
| Mr Nicholas YANG, JP | Secretary for Innovation and Technology |
| Mrs Millie NG KIANG Mei-nei | Deputy Secretary for Innovation and Technology |
| Ms Annie CHOI Suk-han, JP | Commissioner for Innovation and Technology |
| Mr Johann WONG Chung-yan, JP | Deputy Commissioner for Innovation and Technology |
| Mr Vincent TANG Chi-leung | Assistant Commissioner for Innovation and Technology (Infrastructure & Quality Services) |
| Mr Allen MA | Chief Executive Officer, Hong Kong Science and Technology Parks Corporation |

Clerk in attendance:

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| Ms Anita SIT | Assistant Secretary General 1 |
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Staff in attendance:

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| Mr Derek LO | Chief Council Secretary (1) ⁵ |
| Mr Raymond SZETO | Council Secretary (1) ⁶ |

Mr Frankie WOO
Ms Michelle NIEN

Senior Legislative Assistant (1)3
Legislative Assistant (1)5

Action

**Item No. 5 – FCR(2016-17)30
CAPITAL INVESTMENT FUND
HEAD 962 – INDUSTRY**

New Subhead – "Equity in the Hong Kong Science and Technology Parks Corporation for Stage 1 of the Science Park Expansion Programme"

New Subhead – "Loan to the Hong Kong Science and Technology Parks Corporation for Stage 1 of the Science Park Expansion Programme"

**Item No. 6 – FCR(2016-17)31
CAPITAL INVESTMENT FUND
HEAD 962 – INDUSTRY**

New Subhead – "Equity in the Hong Kong Science and Technology Parks Corporation for an Advanced Manufacturing Centre and a Data Technology Hub"

New Subhead – "Loan to the Hong Kong Science and Technology Parks Corporation for an Advanced Manufacturing Centre and a Data Technology Hub"

The Chairman said that the Finance Committee ("FC") would continue with the joint deliberation of the items FCR(2016-17)30 and 31.

Rental policy for offices of the Hong Kong Science Park ("HKSP")

2. Mr Tony TSE enquired how the Hong Kong Science and Technology Parks Corporation ("HKSTPC") would determine the rental level of HKSP offices. The Chief Executive Officer of the Hong Kong Science and Technology Parks Corporation ("CEO/HKSTPC") said that the rental would be determined by market research conducted each year and was approved by the Business Development and Admission Committee together with the Finance and Administration Committee, and the average rental stood at \$24 per square feet at present. In addition, HKSTPC would also offer rental concession to enterprises which had more beneficial impacts on the economy of Hong Kong, as well as the small and medium enterprises ("SMEs"). The average rental of the offices stood at \$18 per square feet as calculated from all leases currently in force.

3. Dr KWOK Ka-ki expressed concern that HKSP might lease the offices to big enterprises from overseas at low rents, thus hampering the chance for local enterprises to move to HKSP. He enquired about the proportion of local enterprises to the existing tenants in HKSP.

4. The Commissioner for Innovation and Technology ("CIT") said that the HKSP rental leases of some enterprises were entered into two to three years ago, and the agreed rental might be lower than the prevailing market rental. The rental of these leases would be adjusted upward to the market level upon renewal. HKSP tenants comprised large, medium and start-up enterprises, and over 60% of them were local companies. She added that the congregation of overseas and local enterprises of different sizes in HKSP could provide impetus to cultural and technological exchanges among enterprises. This would in turn create an ecosphere for scientific research, which was an essential element for the industry's development. CEO/HKSTPC added that HKSTPC aimed at having 60% of its offices taken up by local enterprises, and the remaining 40% taken up by overseas enterprises (including Mainland enterprises). HKSTPC would continue to seek investment overseas, and would provide various subsidies to attract overseas high-tech companies to move to HKSP.

Monitoring of the expenditure and progress of the HKSP expansion project

5. Mr Tony TSE and Mr CHAN Chi-chuen enquired how the Administration would monitor the HKSP expansion project to ensure that the project would not experience cost overruns and delays. CIT said that while the Government's representative in the Board of Directors of the HKSTPC would oversee the project, the Projects and Facilities Committee established under HKSTPC was tasked with the monitoring of the expansion programme. CEO/HKSTPC added that, in the case where project tender cost exceeded the allocated funding eventually, HKSTPC would amend project designs as appropriate to reduce construction cost, or seek extra financing through commercial borrowing. The Government would submit a supplementary paper to FC to explain how it would effectively monitor the project.

[*Post-meeting note:* The supplementary information provided by the Administration was issued vide LC Paper No. FC243/15-16(01) on 17 June 2016.]

6. Mr LEUNG Kwok-hung was of the view that the expenditure of nearly \$4 billion incurred by HKSTPC on HKSP expansion programme was far higher than the development costs for HKSP Phase I and II in the past. The Secretary for Innovation and Technology ("SIT") advised that, based on the construction cost per square feet, the project cost of the expansion programme was comparable to that of the HKSP Phase III development carried out in recent years. CIT added that HKSP Phase I and II were carried out over a decade ago and it was difficult to directly compare the project cost then with the cost at present. The Administration was confident that the expanded space would enjoy high occupancy rate, and some enterprises already expressed interest in negotiating with HKSTPC on the leasing of offices to be provided in those space.

Financing arrangement of the HKSP expansion programme

7. Mr CHAN Chi-chuen, Dr CHIANG Lai-wan and Mr LEUNG Kwok-hung asked why the Government had to provide additional guarantee for the borrowing made by HKSTPC while direct funding had been provided at the same time, and why the option of capital injection in full by the Government was not chosen instead. CIT said that HKSTPC considered it difficult to raise funds in full for the expansion of HKSP by way of commercial borrowing after taking into account its financial situation. Capital injection and guarantee provided by the Government for the borrowing were an appropriate approach. The Permanent Secretary for Financial Services and the Treasury (Treasury) added that, in preparing the financial arrangements, the Government had considered various options such as direct borrowing by HKSTPC, provision of loan guarantee by the Government to HKSTPC, or capital injection by the Government. It was the aim of the Government to support the development of HKSP, so as to complement the Government's policy on the development of scientific research. CEO/HKSTPC also explained that HKSTPC could improve its credit rating through commercial borrowing, which might help raise funds through market borrowing on its own for further expansions ahead and reduce its reliance on government finances.

8. Ms Claudia MO queried whether HKSTPC could achieve self-financing in the long run. SIT said that the Government's capital injection was to meet the cost of the expansion project, which would be a one-time injection. HKSTPC would take self-financing as its long-term operational objective.

9. Mr TAM Yiu-chung asked, if the occupancy rate of HKSP had remained high, why the average annual income was only \$100 million. CEO/HKSTPC explained that there was more than \$500 million rental income generated each year. The biggest expenditure was the management fee and staff remuneration cost of HKSP. Besides that, part of the expenditure was used for financing the start-ups under the incubation programmes and repayment of loan interests. He added that it was projected that there would be approximately \$100 million cash flow generated each year after deducting the expenditure from the income. HKSTPC would have already achieved a balance of income and expenditure had it not taken up the expansion programme.

Employed population of HKSP

10. Mr WONG Kwok-hing expressed support to the two funding items. He enquired the number of new job opportunities to be generated upon the completion of the HKSP expansion programme. CIT said that HKSP currently provided more than 17 000 direct and indirect job opportunities. It was expected that HKSP could offer more than 30 000 related job opportunities after completion of the expansion programme and the majority of the job vacancies would be directly related to scientific research.

11. Mr Alvin YEUNG enquired how the Government would ensure that upon completion of the HKSP expansion programme, there would be sufficient transport support in the district to meet the traffic demand of the employed population. CEO/HKSTPC said that HKSTPC had commissioned a consultant firm to study the traffic demand of HKSP and the survey data collected was being analyzed at present. The consultant firm would also study the way to improve the transportation service, including the consideration of enhancing the round-trip shuttle bus services between HKSP and urban areas. The Administration would submit the study report of the consultant firm to FC in due course.

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Development of Advanced Manufacturing Centre and Data Technology Hub

12. Dr KWOK Ka-ki enquired how the Administration would assist enterprises to move to the Advanced Manufacturing Centre ("AMC") and the Data Technology Hub ("DT Hub") located in Tseung Kwan O Industrial Estate, and how the tenants would be selected. SIT said that AMC would provide the ancillary facilities required for the development of smart manufacturing, including the expensive clean room facility and dual power supply system. This in turn would reduce the operating cost of the enterprises and assist them

in setting up plants in the Centre. CIT added that the Administration aimed to lease the Centre to enterprises engaging in the development of advanced manufacturing, including the SMEs. While the Administration had yet to set out detailed leasing arrangement, it was expected that the lease term would be longer given the longer duration of machine setting for the manufacturing sector in general.

13. Mr Charles Peter MOK expected the Administration to actively promote the AMC and the DT Hub to the industry, so that the industry would better understand the merits of the two venues. Apart from providing land for developing data hubs, he also expected the Administration to actively support the industry in other areas of development.

Development of the innovation and technology policy

14. Ms Emily LAU asked whether the Administration had changed policy and requested departments to use incubatees' new research products at the time of procurement. She also asked how the Administration would develop financial technology and electronic commerce. CIT said that instead of changing its procurement policy, the Government had extended the "Public Sector Trial Scheme" to cover the incubatees of HKSP and Cyberport, thereby allowing them to offer products of their research and development efforts for trial use in the public sector. This could open up new markets for the start-ups. SIT added that financial technology had been developing rapidly and the Government would study carefully how financial technology could be applied effectively in Hong Kong's financial system.

15. Mr Frankie YICK and Mr WONG Kwok-hing said that the development and application of the innovative technologies ("IT") in Hong Kong had lagged behind its neighbouring regions. They asked how the Administration would promote IT development. Dr KWOK Ka-ki also asked how the Administration would assist young scientific research talents to raise funds in the market for the development of scientific research products.

16. SIT agreed that IT development in Hong Kong had lagged behind its neighbouring regions. The Administration was planning to finance scientific research development through the establishment of the Innovation and Technology Venture Fund and the Innovation and Technology Fund for Better Living, and encourage local universities to conduct mid- and downstream research and development. It would also support HKSP to focus on scientific research in three major areas, namely the smart city, robotics technology and healthy ageing, and plan to subsidize the technological upgrading and transformation of the SMEs. CIT added that HKSP had been dedicated to

nurturing the start-ups and helping these companies grow and develop. HKSP had nurtured more than 400 start-ups in the past and over 240 start-ups were being nurtured at present. The Administration and HKSTPC were now studying the expansion of the latter's incubation programme, the objective of which was to nurture more than 300 start-ups at the same time, so as to facilitate the development of young scientific research talents.

17. Mr Abraham SHEK expressed concern that the Administration might impose too much regulation on the scientific research industry and thus limit the industry's development. He hoped that the Administration would allow the industry to lead its own direction of development.

Employment of the CEO of HKSTPC

18. Ms Emily LAU asked whether HKSTPC had made any succession arrangement for its CEO who was due to retire soon. CIT said that HKSTPC was in the process of recruiting a new CEO globally and it was believed that the HKSTPC teams would continue to firmly promote the development of HKSP upon the departure of the incumbent CEO.

19. At 6:33 pm, the Chairman declared that the meeting be extended for 15 minutes.

20. There being no further question from members, the Chairman put the item FCR(2016-17)30 to vote. The Chairman was of the view that the majority of members voted in favour of the item and he declared that the Committee approved the item.

21. The Chairman then put the item FCR(2016-17)31 to vote. The Chairman was of the view that the majority of members voted in favour of the item and he declared that the Committee approved the item.

22. At 6:42 pm, the Chairman declared that the meeting be adjourned.

23. The meeting was adjourned at 6:42 pm.

Legislative Council Secretariat

15 September 2016