

立法會
Legislative Council

LC Paper No. CB(1)1454/16-17

(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 18 July 2017, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

- Members present** : Hon WU Chi-wai, MH (Chairman)
Hon SHIU Ka-fai (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon CHAN Kin-por, GBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Hon CHUNG Kwok-pan
Hon CHAN Chun-ying
- Members absent** : Hon WONG Ting-kwong, GBS, JP
Hon Mrs Regina IP LAU Suk-yeet, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Dennis KWOK Wing-hang
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Hon Tanya CHAN
Hon LAU Kwok-fan, MH

**Public officers
attending**

: Agenda item III

Mr Nicholas W YANG, GBS, JP
Secretary for Innovation and Technology

Ms Annie CHOI, JP
Commissioner for Innovation and Technology

Mr Johann WONG, JP
Deputy Commissioner for Innovation and Technology

Mrs Mille NG, JP
Deputy Secretary for Innovation and Technology

Agenda Item IV

Ms Salina YAN, JP
Director-General of Trade and Industry

Ms Jenny CHAN
Assistant Director-General of Trade and Industry
(Mainland)

Ms Ophelia TSANG
Principal Assistant Secretary for Commerce and
Economic Development (Commerce & Industry)⁵

**Attendance by
invitation**

: Agenda item III

Mr Albert WONG
Chief Executive Officer
Hong Kong Science and Technology Parks
Corporation

Clerk in attendance

: Mr Desmond LAM
Chief Council Secretary (1)³

Staff in attendance

: Mr Joey LO
Senior Council Secretary (1)⁸

Miss Judy YEE
Council Secretary (1)³

Ms May LEUNG
Legislative Assistant (1)3

Miss Zoe YIP
Clerical Assistant (1)3

Action

I. Confirmation of minutes of meeting and matters arising

(LC Paper No. CB(1)1294/16-17 -- Minutes of meeting held on 16 May 2017

LC Paper No. CB(1)1293/16-17(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1293/16-17(02) -- List of follow-up actions)

The minutes of the meeting held on 16 May 2017 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)1305/16-17(01) -- Information paper on "Proposed Technical Amendment to the Import and Export (Electronic Cargo Information) Regulation (Cap. 60L) to tie in with the commissioning of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port"

LC Paper No. CB(1)1312/16-17(01) -- Administration's response to recommendations mentioned in the Report on S Rajaratnam School of International Studies and the World Trade Organization Parliamentarian Workshop 2017 submitted by Dr Hon YIU Chung-yim)

2. Members noted the above papers issued since the last meeting.

III. Development of InnoCell

(LC Paper No. CB(1)1293/16-17(03) -- Administration's paper on "Development of the InnoCell adjacent to Hong Kong Science Park"

LC Paper No. CB(1)1293/16-17(04) -- Paper on the development of InnoCell prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

3. At the invitation of the Chairman, Secretary for Innovation and Technology ("S for IT") briefed members on the Administration's plan to develop an InnoCell adjacent to the Hong Kong Science Park ("HKSP") and sought members' support for the proposed financial arrangements of the project. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)1293/16-17(03)).

Discussion

Proposed scope and accommodation need of Hong Kong Science Park tenants

4. Mr CHAN Chun-ying was in principle supportive of the concept to develop an InnoCell but sought clarification on a number of issues relating to the proposed financial arrangements of the project. According to the estimated development cost of the InnoCell, Mr CHAN noted that the construction cost per square foot for building the InnoCell was about \$4,500, which he believed was comparatively high. As Hong Kong Science and Technology Parks Corporation ("HKSTPC") might only be required to pay a very low land premium or even be granted land premium exemption for the site to build the InnoCell, Mr CHAN enquired about the reasons for such high construction cost and whether the projected rental income of about \$60 million per year would be able to cover the management and operating costs, and the net interest payment of \$7 million per year up to 2033-2034 (excluding the net interest payment of \$11 million for 2019-2020) as shown in Annex B to the Administration's paper. Noting that the InnoCell was expected to provide only 500 cubicles in 2020 while the projected number of employees working in HKSP would be around 17 200, Mr CHAN further enquired about the proportion of overseas and Mainland employees who would benefit from the InnoCell accommodation.

5. Commissioner for Innovation and Technology ("CIT") said that due to the size of the site and the height restriction, 500 would be the maximum number of cubicles to be provided at the InnoCell. Although this might not be adequate to meet all the demand for accommodation of HKSP tenants, it would allow HKSTPC some flexibility in addressing the short-to-medium accommodation needs of technology talents. The current thinking was that the rental period could last from 1 month to 4 years, to tie in with the duration of the incubation programme. In response to the Chairman's enquiry, CIT advised that studies had

been conducted to ascertain the accommodation demand in the InnoCell. Chief Executive Officer, Hong Kong Science and Technology Parks Corporation ("CEO, HKSTPC") added that demand studies undertaken by HKSTPC indicated that around 570 to 600 cubicles at the InnoCell would be required by HKSP tenants/incubatees.

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6. S for IT said that the living and co-working environment to be offered by the InnoCell would cater for the need of researchers and start-ups who were characterized by flexible yet long working hours, and foster cross-fertilization of ideas and collaboration among members of the community. For this reason, the construction cost of the InnoCell included the cost of building common rooms to provide spaces for communication and collaboration, as well as common facilities (such as leisure rooms for reading/computer and video games, gymnasium, laundry mart, etc.). CEO, HKSTPC added that HKSTPC had consulted relevant Government departments on the proposed building design and projected construction cost and their comments had been taken into consideration in the final estimate. In this connection, the Chairman requested the Administration to provide information on the management and operating costs of the InnoCell and whether such costs could be covered by the rental income of the InnoCell, and its assessment of the accommodation demand in the InnoCell.

Target tenants and admission criteria

7. In response to Mr MA Fung-kwok's enquiry about the accommodation demand and admission and allocation criteria of the InnoCell, CIT said that according to the findings of the demand study for the InnoCell conducted by HKSTPC in 2016, there was a strong interest in short to medium term "on-campus" living accommodation within the HKSP community. It was common for science parks around the world, such as Taiwan, Shanghai and New York, to provide accommodation for innovation and technology ("I&T") talents. The target tenants of the InnoCell would mainly be three groups of I&T talents in HKSP, namely: principals of tenants or incubatees; overseas or Mainland employees of existing tenants or incubatees; and overseas or Mainland visiting scientists or researchers in cooperation with HKSTPC or its tenant companies or incubatees. There was no prescribed allocation ratio for each group of I&T talents. An assessment panel would be formed by HKSTPC to assess the admission applications. Detailed admission criteria would be announced by the assessment panel in due course.

Rental arrangements

8. Noting that the monthly rental of the InnoCell would be set at about 60% of the market rent of unfurnished property of similar quality in the nearby area, Mr Martin LIAO enquired how the rental level of the InnoCell compared with

working dormitories or talent apartments of overseas science parks.

9. S for IT said that given Hong Kong's high property prices, a direct comparison of the InnoCell's rental levels with overseas counterparts might not be relevant, especially when some places such as Taiwan provided rent-free housing to start-ups in their science parks. Setting InnoCell's rental level at 60% of the market rent was considered effective in attracting and retaining overseas and Mainland talents.

10. Mr Charles Peter MOK agreed in principle that the InnoCell would be able to cater for part of the accommodation needs of overseas or Mainland I&T talents working in HKSP, but found the 48-month tenancy agreements too long and inconsistent with the original intent of the InnoCell of facilitating overseas and Mainland I&T talents to have a short term "on-campus" living accommodation while settling down in Hong Kong, thus giving rise to possible allegation of squatting, particularly when some of these tenants might likely be out of town for certain periods of time during the long tenancy period. Mr MOK expressed concern that by focusing its attention on the interests of overseas and Mainland talents, HKSTPC might have neglected the needs and interests of local employees.

11. Mr CHUNG Kwok-pan also raised concern on the proposed period of tenancy agreements that the minimum period of tenancy of one month would be too short and create unnecessary administrative burden on the management of the InnoCell.

12. S for IT said that the rental terms would be subject to review by an assessment panel to be formed by HKSTPC. CEO, HKSTPC added that HKSTPC was aware of the needs of local employees, and had been liaising with major public transport operators including the Mass Transit Railway Corporation Limited on the possibility of increasing the frequency of trains to facilitate an easier commuter choice for employees working at HKSP. Moreover, three hours of free office air-conditioning were recently provided for tenants or incubatees in response to their flexible working schedules. CIT responded that the period of tenancy would be subject to review annually or biennially and on a case-by-case basis depending on the progress of the relevant research and development work or other factors of the tenant concerned. In response to Mr CHUNG Kwok-pan's enquiry, S for IT said that the relevant tenant or incubatee of HKSTP would need to complete all the necessary application procedures before the concerned researcher came to Hong Kong and moved into the InnoCell.

Proposed programme and economic benefits

13. Noting that the Town Planning Board had approved the proposed development of InnoCell with conditions, Mr CHUNG Kwok-pan enquired

whether HKSTPC would be able to fulfill such conditions eventually so that the development of InnoCell would not be hampered. Mr CHUNG also enquired how the development of InnoCell would result in more than \$180 million value added during the three-year construction period.

14. S for IT said that HKSTPC would be able to fulfill the various approval conditions prescribed by the Town Planning Board, including those related to the provision of open space for public use, fire service installations, and other issues involving conservation and traffic impact assessment.

15. CIT added that the calculation of the projection of \$180 million value added during the construction period of InnoCell was based on the information provided by the Census and Statistics Department, and it had been a standard practice for all public projects to include the economic impact during the construction period, using the same methodology. Mr CHUNG Kwok-pan considered that such information might not be relevant.

16. In response to the Chairman's enquiry about the economic benefits to be brought about after the commissioning of InnoCell, CIT said that about 300 employment opportunities would be created (including 100 supporting/management staff), and a direct value added of more than \$110 million and approximately \$56 million of indirect and induced value added would be generated per year respectively.

Other measures to attract and retain talents

17. Noting that according to the demand study for InnoCell conducted by HKSTPC in 2016, the provision of suitable staff accommodation was an important factor in considering whether to stay in HKSP, Mr Martin LIAO enquired about the interim measures to be taken to attract or retain I&T talents by HKSP pending the projected completion of the InnoCell project in 2020.

18. CIT said that start-ups entering HKSP would enjoy all-rounded support, including rent-free periods for office accommodation and laboratories of up to four years (e.g. for biotechnology companies requiring a longer incubation period). Moreover, HKSTPC also provided start-ups with one-stop assistance in identifying investors and strengthening overseas market promotion, etc.

Proposed financial arrangements

19. Noting that the proposed financial arrangements consisted of government equity injection of \$560 million to HKSTPC and government guarantee for a commercial loan of \$240 million and the interest arising therefrom, Dr CHIANG Lai-wan suggested that the Administration should consider arranging the project to

be fully financed through a commercial loan of \$800 million which could be backed by government guarantee, thereby obviating the need for government equity injection of 70% of the development cost of the project.

20. CIT explained that in determining the provision of government guarantee, the borrower's repayment ability would be considered. Due to the \$4.428 billion expansion programme of HKSP, HKSTPC had already shouldered loans of about \$1.107 billion which should be taken into account when determining the repayment ability of HKSTPC. Dr CHIANG Lai-wan maintained her view that the Administration should reconsider her suggestion of arranging the project to be fully financed through a commercial loan.

Summing up

21. The Chairman said that although members in general had no objection to the proposed development of InnoCell, members raised concerns on a number of issues relating to the various aspects of the project. After discussion, the Panel agreed that before deciding on whether to support the proposed financial arrangements of InnoCell for submission to the Finance Committee for approval, the Administration should provide supplementary information on the issues listed below for further discussion at a future Panel meeting in the 2017-2018 session. The supplementary information should include the following aspects of the InnoCell project:

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- (a) an analysis of the pros and cons of the Administration's proposed financial arrangements of financing 70% of the development cost in the form of government equity, while the remaining 30% with a commercial loan to HKSTPC to be guaranteed by the Government, vis-à-vis a member's proposal of financing 100% of the development cost with commercial loan to HKSTPC to be guaranteed by the Government;
- (b) an assessment of the accommodation demand of the InnoCell by overseas and Mainland I&T talents;
- (c) details of the projected management and operating costs of the InnoCell, and whether such costs could be met with the rental income generated from the InnoCell; whether there was a surplus after deducting the management and operating costs from the rental income, and whether such surplus would form part of the cash flow of the project;
- (d) details of the projected direct and indirect economic benefits to be brought about by the InnoCell project during and after the

construction period; and

- (e) justifications of the allocation and admission criteria and lengths of tenancy agreements for different groups of target tenants of the InnoCell.

IV. Trade relations between the Mainland and Hong Kong

(LC Paper No. CB(1)1234/16-17(01) -- Administration's paper on "Trade relations between the Mainland and Hong Kong - The Mainland and Hong Kong Closer Economic Partnership Arrangement: Investment Agreement and Agreement on Economic and Technical Cooperation"

LC Paper No. CB(1)1293/16-17(05) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

22. At the invitation of the Chairman, Director-General of Trade and Industry ("DGTI") briefed members on the Investment Agreement and Agreement on Economic and Technical Cooperation ("Ecotech Agreement") signed on 28 June 2017 under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA") between Hong Kong Special Administrative Region ("HKSAR") Government and the Ministry of Commerce. Details of the two agreements were set out in the Administration's paper (LC Paper No. CB(1)1234/16-17(01)).

Discussion

Publicity

23. Mr CHAN Chun-ying welcomed the signing of the Investment Agreement and Ecotech Agreement between HKSAR Government and the Ministry of Commerce, and commented that these two Agreements strengthened the economic and trade cooperation, and facilitated the trade and investment between the two places. As the Investment Agreement would be the first investment agreement of

the Mainland with pre-establishment national treatment commitments in the form of negative list for investments in non-services sectors, Mr CHAN enquired whether the Administration had to do anything to trigger the Most-Favoured Treatment ("MFT") provision of the Investment Agreement as and when the Mainland accorded more preferential treatment to another economy or such treatment would be granted automatically to Hong Kong investors. Noting that the scope of cooperation would span multifarious areas including accounting, innovation and technology, e-commerce and intellectual property, Mr CHAN suggested that the Administration should conduct dedicated briefing sessions tailored to the needs of individual trades and industries to facilitate their in-depth understanding of the benefits of the two Agreements.

24. DGTI responded that according to Article 6 of the Investment Agreement, MFT would be automatically extended to Hong Kong investments and investors if any preferential treatment the Mainland accorded to investments and investors from other countries or regions was more preferential than that provided under CEPA. The Trade and Industry Department ("TID") would maintain close liaison with the Ministry of Commerce and provide timely updates and reminders to the relevant industries on both sides. DGTI added that a media briefing and a meeting with chambers and stakeholders were held immediately after the signing of the two Agreements to introduce the details of the two Agreements to the media and the trade. Information papers would also be issued to various trade-related advisory bodies and trade associations. DGTI further said that trade/sector-specific briefing sessions would be held to deepen their understanding of the new liberalization measures.

25. In response to the Chairman's enquiry, DGTI advised that TID maintained a dedicated website and a hotline service to provide the public and industries with the latest information on CEPA and the two Agreements.

The Belt and Road Initiative

26. Noting that under the Ecotech Agreement, an operational liaison mechanism would be established by the two sides to strengthen information exchanges and communication on the Belt and Road Initiative between the two places, encourage the establishment of multi-level communication channels by government departments, industry organizations and investment promotion agencies of the two sides for information sharing, and provide an exchange platform to support semi-official organizations, non-official organizations and the trade in the two places to play a part in facilitating the implementation of the Belt and Road Initiative, Mr CHAN Chun-ying enquired which policy Bureau would be responsible for such liaison and exchanges.

27. DGTI advised that the Belt and Road Initiative was a new cooperation area under the Ecotech Agreement which would strengthen CEPA commitments across a wide range of areas. While the Commerce and Economic Development Bureau and TID would stand ready to communicate on the Belt and Road Initiative, other dedicated parties including the Trade Development Council and the Infrastructure Financing Facilitation Office of the Hong Kong Monetary Authority would also be involved in providing the necessary information to specific sectors.

Market access

28. As the Mainland market remained largely closed to Hong Kong publishers and filmmakers, Mr MA Fung-kwok enquired about the progress made by the Administration in striving for liberalization and trade facilitation measures under CEPA, in particular, the measures to facilitate entry into the Mainland market by the publishers, filmmakers and television producers in Hong Kong.

29. DGTI advised that under CEPA, Hong Kong filmmakers were already granted preferential access to the Mainland market which was not available to other foreign companies. For example, Chinese language films produced by Hong Kong companies and approved by Mainland authorities were not subject to the import quota set for foreign films; films co-produced by Hong Kong and the Mainland were treated as Mainland productions. Under CEPA Supplements VI and X, post-production of domestic films, including co-productions, was allowed to be processed in Hong Kong after obtaining approval of the State Administration of Press, Publication, Radio, Film and Television on applications initiated by the principal production entity in the Mainland; and the Cantonese version of Hong Kong films and Hong Kong-Mainland co-produced films could be distributed and screened in Guangdong with the approval of relevant Mainland authorities. DGTI added that although the two new Agreements were not aimed at providing national treatment to Hong Kong investments and investors in the service sectors, the Administration would continue to strive for national treatment for the creative industries. In fact, facilitation measures for the printing services had been provided progressively under CEPA Supplements IV, V, VI, IX and X.

30. Noting that the professional services sector in Hong Kong had in previous years complained about the situation of "big doors are open, but small doors are not yet open" in the Mainland market, Dr CHIANG Lai-wan enquired if the Administration had made any progress in recent years in opening up the Mainland market for the professional services sector.

31. DGTI advised that the Administration attached great importance to effective implementation of CEPA. Over the years, relevant policy bureaux and departments maintained close liaison with trade associations and professional bodies of the services sectors concerned through various channels in order to

understand the concerns of the trade. The Administration had also maintained close liaison with the Mainland authorities at central, provincial and municipal levels to actively follow up on the CEPA facilitation measures. The Administration would continue to monitor the Mainland policies that were of concern to Hong Kong enterprises and keep the trade informed of the latest development. The Administration also reflected to the relevant Mainland authorities the views and suggestions of Hong Kong enterprises on Mainland policies. DGTI introduced members to the information booklet entitled "CEPA Success Stories" published by TID and downloadable from its dedicated CEPA website, describing successful cases of how, under CEPA, eligible Hong Kong professionals like architects, lawyers and doctors could register their professional qualifications and practise in designated Mainland provinces and cities, or establish business presence in the form of partnership or association with their Mainland counterparts, and provided statistics thereof.

32. In response to Dr CHIANG Lai-wan's enquiry, DGTI advised that as at end of 2016, 13 local banks, one local insurance company and three local insurance agencies had established a presence in the Mainland. Several hundred Hong Kong insurance agents had had their professional qualifications recognized by the Mainland authorities. As for the accounting profession, as of end of April 2017, over 1 500 cases of exemption on qualification examinations were obtained under the mutual recognition of professional qualifications arrangement of CEPA.

33. Whilst recognizing that enhancing market access to the Mainland would certainly bring benefits to Hong Kong, the Chairman opined that the Administration should also analyze the potential negative side effects of Hong Kong's economic integration with the Mainland, such as the drain of local talents, and formulate measures to ensure that Hong Kong could retain the requisite talents in Hong Kong and maintain its economic competitiveness.

34. DGTI advised that the spirit of CEPA was to achieve mutual benefits, complementarity with each other's advantages and joint prosperity. CEPA opened up huge markets for Hong Kong goods and services, greatly enhancing the already close economic cooperation and integration between the Mainland and Hong Kong. As a win-win agreement, CEPA had brought about new business opportunities to the Mainland, Hong Kong and foreign investors. As for Hong Kong, CEPA provided a window of opportunity for local businesses to gain greater access to the Mainland market. CEPA also benefitted the Mainland as Hong Kong served as a perfect springboard for Mainland enterprises to reach out to the global market and accelerated the Mainland's full integration with the world economy. There had not been any signs that there was a drain of local professional talent brought about by the implementation of CEPA.

35. Noting that under the Agreement on Trade in Services signed on 27 November 2015 under CEPA, with effect from 1 June 2016, up to five Hong Kong travel agents established on a wholly-owned basis were allowed to operate outbound group tours for Mainland residents on a pilot basis, Mr YIU Si-wing enquired whether the Administration would explore with the China National Tourism Administration to expand the quota and lower the entry threshold for wholly-owned Hong Kong travel agents to operate outbound group tours for Mainland residents, and provide the necessary support and advisory services to the Hong Kong travel agents looking forward to operating such tours.

36. DGTI advised that up to now, four Hong Kong travel agents established on a wholly-owned basis had been allowed to operate outbound group tours for Mainland residents. The Administration noted the industry's request for lowering the entry threshold for wholly-owned Hong Kong travel agents keen to operate such tours for Mainland residents, and would actively pursue further opening up of the market with the Mainland authorities, having regard to the need to ensure that the travel agents concerned should possess adequate capital, scale and capabilities to operate such tours. Meanwhile, TID would be happy to provide relevant information to the Hong Kong travel agents aiming to operate such tours in the Mainland.

37. Noting the increasing cross-boundary co-operation between Hong Kong and the Mainland, Mr Martin LIAO enquired whether the Administration would consider organizing duty visits to Mainland cities/districts with commercial relationship with Hong Kong for members of the Panel to obtain first-hand information on their economic development and to foster closer economic co-operation with these cities/districts.

38. DGTI agreed that visits would be conducive to the fostering of economic co-operation and would allow Hong Kong enterprises to identify the business opportunities offered by the Mainland cities/districts. In this regard, the Administration had been organizing such visits for the local industries, and could provide relevant assistance for conducting such visits.

39. Noting that infrastructural development had greatly enhanced the connectivity of different places of the Guangdong-Hong Kong-Macao Bay Area ("Bay Area"), Dr CHIANG Lai-wan suggested that places of the Bay Area should be considered for the Panel to conduct a visit to the Mainland in the coming session. Mr SHIU Ka-fai and Mr Martin LIAO shared a similar view.

40. DGTI said that the proven system and mechanism for the pilot implementation of CEPA measures in Guangdong Province provided useful reference for the Bay Area. The Administration would consider providing the necessary assistance should the Panel decide to conduct a visit to the Bay Area.

Summing up

41. The Chairman said that members in general were supportive of the two Agreements. Members called on the Administration to step up efforts to widely publicize the two Agreements to the public, trade-related bodies and trade associations, and provide more in-depth analysis of the benefits and opportunities brought by the two Agreements on the dedicated CEPA website.

V. Any other business

42. The Chairman said that this was the last Panel meeting of this session. He thanked members and the Administration for their support and contributions during the past year.

43. There being no other business, the meeting ended at 4:24 pm.