

**立法會**  
**Legislative Council**

LC Paper No. CB(1)919/07-08  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 15 January 2008, at 2:30 pm**  
**in Conference Room A of the Legislative Council Building**

- Members present** : Hon Vincent FANG Kang, JP (Chairman)  
Hon WONG Ting-kwong, BBS (Deputy Chairman)  
Hon CHAN Kam-lam, SBS, JP  
Hon SIN Chung-kai, SBS, JP  
Hon Timothy FOK Tsun-ting, GBS, JP  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon CHIM Pui-chung
- Members absent** : Dr Hon LUI Ming-wah, SBS, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
- Public officers attending** : Agenda Item IV  
Innovation and Technology Commission  
  
Mr Eddy Y T CHAN, JP  
Commissioner for Innovation and Technology  
  
Miss Clara W C TANG  
Assistant Commissioner for Innovation and Technology  
(Funding Schemes)

**Clerk in attendance** : Ms YUE Tin-po  
Chief Council Secretary (1)3

**Staff in attendance** : Ms Pauline NG  
Assistant Secretary General 1

Ms Guy YIP  
Senior Council Secretary (1)5

Ms May LEUNG  
Legislative Assistant (1)6

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Action

**I. Confirmation of minutes of meeting**

(LC Paper No. CB(1)575/07-08 -- Minutes of meeting held on  
20 November 2007)

The minutes of the meeting held on 20 November 2007 were confirmed.

**II. Information paper issued since last meeting**

(LC Paper No. CB(1)478/07-08(01) -- Information on the financial  
position of the Applied Research  
Fund for the period of  
1 September to 30 November  
2007)

2. Members noted that the above paper had been issued for the Panel's  
information.

**III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)549/07-08(01) -- List of outstanding items for  
discussion

LC Paper No. CB(1)549/07-08(02) -- List of follow-up actions)

3. Members agreed to discuss the item "Follow-up to the Copyright  
(Amendment) Ordinance 2007", as proposed by the Administration, at the next  
Panel meeting scheduled for 19 February 2008.

4. On issues relating to the convention and exhibition industry, the Chairman  
briefed members that the progress report provided by the Administration on the  
motion passed at the meeting of the Legislative Council on 24 October 2007 on the  
"Development of the Convention and Exhibition Industry" had been circulated to

all Members vide LC Paper No. CB(3)265/07-08 on 31 December 2007. In addition, the Panel had completed the Report on the Study of the Development of Convention and Exhibition Facilities in Hong Kong, copies of which had been circulated to all Members, and reported its findings and recommendations to the House Committee on 11 January 2008. In this connection, he suggested to invite the Administration to brief members on its response to the Panel's findings and recommendations made in the study report at the next meeting. Members agreed.

*(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, the item on the "progress in relation to the development of the convention and exhibition industry" has been included for discussion at the Panel meeting to be held on 18 March 2008.)*

**IV. Improvements to the University-Industry Collaboration Programme under the Innovation and Technology Fund**

(LC Paper No. CB(1)549/07-08(03) -- Paper provided by the Administration

LC Paper No. CB(1)2088/06-07(05) -- Paper provided by the Administration for the meeting held on 17 July 2007

LC Paper No. CB(1)549/07-08(04) -- Extract from minutes of the meeting held on 17 July 2007)

5. The Chairman briefed members that at the meeting on 17 July 2007 when the Administration proposed to relax the geographical requirements of the University-Industry Collaboration Programme (UICP) under the Innovation and Technology Fund (ITF), some members expressed concern that the proposed relaxation measures might create opportunities for foreign-capital-owned-local-companies to abuse the funding scheme. To address members' concerns, a public consultation was conducted by the Innovation and Technology Commission (ITC) in October 2007.

6. At the invitation of the Chairman, the Commissioner for Innovation and Technology (C(IT)) briefed members on the outcome of the consultation. He reported that 20 local education, trade and professional bodies were invited to provide feedback on the Administration's proposals. In essence, there was general support for the Administration's proposals to relax the geographical restrictions of UICP such that local enterprises would be able to leverage on an expanded pool of expertise and resources. Some local universities had, however, expressed concern that their role in UICP might diminish as a result and considered the proposals not conducive to the accumulation of local human capital in the long run.

Discussion

*Measures to relax the geographical restrictions of UICP*

7. Mr CHAN Kam-lam pointed out that in overseas countries, it was a common practice that a fixed percentage of the gross domestic product was earmarked for research and development (R&D). In comparison, Hong Kong's commitment in this regard, which accounted for less than \$200 million since the inception of UICP, was only minimal. As he considered the promotion of R&D would help revive the local industry and promote the development of high-tech and high value-added production, he gave full support to the Administration's proposals to lift the geographical requirements of UICP which would enable the local industry to tap on a wider choice of expertise and technological facilities that might not be available in Hong Kong. He also remarked that as UICP provided resources to support the upstream R&D of a product, consideration should also be given to providing funding support to its midstream/downstream processes as well. Nevertheless, he reminded the Administration that more stringent regulatory measures should be adopted so as to avoid misuse of the UICP funding.

8. Mr SIN Chung-kai referred to views expressed by local universities as set out in Annex II to LC Paper No. CB(1)549/07-08(03) and those collected by himself from local academia that a relaxation of the geographical requirements should only be proceeded with on the premise that local universities would continue to play an active role in UICP funded projects. In this connection, he suggested that the R&D work of a project might be allowed to be conducted outside Hong Kong by research institutes set up by local universities in the places concerned or by non-local universities which had entered into a partnership with a local university. Consideration should also be given to setting a ceiling on the amount of R&D work to be conducted outside Hong Kong.

9. In reply, C(IT) remarked that in administering UICP, it was incumbent for the Administration to ensure the prudent use of the public coffers on the one hand, and cutting red tape on the other with a view to enhancing the attractiveness and effectiveness of the Programme. Nevertheless, he noted Mr SIN's suggestion that efforts should be made to foster cooperation between the local and non-local universities in conducting the R&D work of UICP projects.

10. Noting that under the current proposals, the R&D work of a UICP project would be allowed to be undertaken outside Hong Kong, the Chairman questioned if the relevant applicant company would still be required to contribute no less than 50% of the project cost. C(IT) responded that under the current proposals, only the geographical requirements would be lifted, i.e. the applicant company would be allowed to co-operate with local or non-local universities for the latter to undertake the R&D work of a project and for a substantial part or the whole of such work to be conducted outside Hong Kong. The requirement for the company to contribute no less than 50% of the project cost would remain unchanged.

11. Mr Jeffrey LAM appreciated the Administration's efforts in promoting R&D in Hong Kong and commented that publicity should be stepped up to promote the results of the ITF projects. While expressing in-principle support to the Administration's proposal to relax the geographical restrictions of UICP, he was of the view that funding priority should be given to projects that would be undertaken by local universities or within the territory.

12. In reply, C(IT) explained that the current proposals for lifting the geographical requirements would give more flexibility to local enterprises, in terms of the choice of partner universities and places to undertake the R&D work, for them to leverage on the expertise that might not be available locally. The Administration would, as usual, welcome UICP applications which R&D work would be conducted by local universities or locally. All applications would be vetted based on merits, such as whether the project would contribute substantially to innovation and technology upgrading in the local economy, etc.

#### *Monitoring mechanism of UICP*

13. Mr Jeffrey LAM noted that the local applicant company would be held responsible for compliance with ITF requirements and for indemnifying the Government in the event of misuse of fund. In this connection, he opined that to ensure the prudent use of the public purse, the indemnity should cover the funding per se and interests incurred, etc.

14. The Assistant Commissioner for Innovation and Technology (Funding Schemes) (AC(IT)) responded that in vetting a UICP application, the Administration would firstly verify that the applicant company was a locally incorporated company with substantial business operation in Hong Kong before the technical merits of the application would be further considered. If the application was successful, under the current mode of operation of UICP, the Government would sign a legally binding agreement with the applicant company and its partner university. They would be required to indemnify the Government of the UICP funding and any relevant losses if they were in breach of the terms and conditions of the agreement.

#### *Intellectual properties (IP) rights of project results*

15. Mr SIN Chung-kai sought clarification on whether the applicant company, the partner university or ITC would own the IP rights of a UICP project. C(IT) replied that according to existing mechanism, the applicant company had to bear no less than 50% of the project cost in cash. In principle, the IP rights of the project results would rest with the applicant company. AC(IT) supplemented that as the purpose of UICP was to encourage enterprises to engage in R&D which contributed to innovation and in recognition to their monetary contribution, ownership of IP would rest with the applicant company. Nevertheless, the partner university would be given a free hand to negotiate with the applicant company on how the benefits derived from the IP should be shared between the two parties. The Chairman remarked that in overseas countries, such as the United States, it was a

common practice for the participating enterprise and research institute to share the revenue generated from successful R&D projects.

16. Mr WONG Ting-kwong stated his support for encouraging R&D in Hong Kong. He noted that while some R&D projects would not bear fruit in the end, some others would become successful. In this connection, he opined that a mechanism should be in place for the Government to recoup disbursed funds from the successful projects with a view to fostering a sustainable operation of the ITF in the long run. Mr CHAN Kam-lam held a different view as he considered a recoupment arrangement not conducive to encouraging enterprises to engage in more R&D activities.

17. In reply, C(IT) pointed out that to encourage a stronger culture of R&D in Hong Kong, in addition to providing a dollar-for-dollar matching grant under UICP, the applicant company and partner university were allowed to retain any revenue, such as royalties, generated from successful projects according to their mutual agreement. Notwithstanding, the number of UICP applications had declined over the years, with a climax of 63 applications received and 40 approved in 2000 which had gradually decreased to 7 and 4 respectively up to end July 2007. To encourage enterprises to capitalize on UICP, the Administration had proposed to relax the geographical requirements of the Programme. He remarked that a recoupment, which was not one of the terms and conditions of previous UICP projects, if imposed, might defeat the purpose of relaxation. On the sustainability of ITF, he assured members that a mechanism had been in place for other funding model of ITF to retain benefits generated. He quoted the five R&D Centres under ITF as an example and elaborated that although industry players participating in the platform projects of these Centres were required to contribute 10% of the total project cost, the IP rights of these projects were retained by the respective R&D Centres and income generated therefrom would be plough back to ITF. He remarked that while a substantial part of ITF was currently used for supporting these Centres, the modus operandi adopted by these Centres was conducive to ensuring the sustainability of ITF.

18. Mr Jeffrey LAM enquired whether the Administration had come across any problems, such as disputes between the enterprises and universities over IP rights, in its administration of UICP, and if yes, measures adopted to resolve such situations.

19. In reply, C(IT) reported that there was some feedback on the lead time required for processing UICP applications. He advised that as timely commercialization of R&D products would help enterprises to reap maximum business opportunities, the Administration was actively studying the feasibility of streamlining its procedures for vetting UICP applications. On IP rights, AC(IT) supplemented that according to the prevailing practice, prior agreement on the way to share benefits generated from the projects would be reached between the applicant company and partner university before submission of UICP applications to ITC. As such, there should not be many serious disputes over IP rights after an application had been submitted to ITC. That notwithstanding, the Administration

noticed that some universities had urged for lifting the existing arrangement such that flexibility would be given for them to negotiate with their partner enterprise on the sharing of IP rights. In this connection, she remarked that the Administration would make its best efforts to balance the interests of all parties.

*The way forward*

20. In summing up the discussion, the Chairman said that the Panel was, in principle, supportive of the Administration's proposals to relax the geographical requirements of UICP. Nevertheless, he urged the Administration to be mindful of the need to guard against misuse of the UICP funding and to consider members' suggestion that a certain percentage of the R&D work of UICP projects should continue to be undertaken by local universities. C(IT) said that he would take forward members' suggestion and consider how best the modus operandi of UICP should be developed.

**V. Any other business**

21. There being no other business, the meeting ended at 3:15 pm.