

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2643/08-09  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 19 May 2009, at 2:30 pm**  
**in Conference Room A of the Legislative Council Building**

- Members present** : Hon Vincent FANG Kang, SBS, JP (Chairman)  
Hon WONG Ting-kwong, BBS (Deputy Chairman)  
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP  
Hon Emily LAU Wai-hing, JP  
Hon Tommy CHEUNG Yu-yan, SBS, 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  
Hon Starry LEE Wai-king  
Dr Hon LAM Tai-fai, BBS, JP  
Hon Tanya CHAN  
Dr Hon Samson TAM Wai-ho, JP
- Member attending** : Hon Paul TSE Wai-chun
- Members absent** : Hon Fred LI Wah-ming, JP  
Hon Timothy FOK Tsun-ting, GBS, JP
- Public officers attending** : Agenda Item III  
Mrs Rita LAU NG Wai-lan, JP  
Secretary for Commerce and Economic Development

Miss Yvonne CHOI Ying-pik, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

Agenda Item IV

Mrs Rita LAU NG Wai-lan, JP  
Secretary for Commerce and Economic Development

Mr Eddy CHAN Yuk-tak, JP  
Commissioner for Innovation and Technology

Mr Andrew LAI Chi-wah  
Deputy Commissioner for Innovation and Technology

Mr Davey CHUNG Pui-hong  
Assistant Commissioner for Innovation and  
Technology

Agenda Items V and VI

Miss Yvonne CHOI Ying-pik, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

Mr Joseph LAI Yee-tak, JP  
Director-General of Trade and Industry

Agenda Item VII

Mr Eddy CHAN Yuk-tak, JP  
Commissioner for Innovation and Technology

Mr Andrew LAI Chi-wah  
Deputy Commissioner for Innovation and Technology

Mr Geoffrey WOODHEAD  
Assistant Commissioner (Infrastructure) Innovation and  
Technology Commission

**Attendance by  
invitation** : Agenda Item IV

Dr YANG Ying  
Chief Executive Officer (Acting)  
The Hong Kong Automotive Parts and Accessory  
Systems R&D Centre

Mr Haider BARMA, GBS, CBE, JP  
Chief Executive Officer  
The Hong Kong Research Institute of Textiles and  
Apparel

Dr CHEUNG Nim  
Chief Executive Officer  
Hong Kong Applied Science and Technology Research  
Institute

Dr Frank TONG  
Chief Executive Officer (Acting)  
Hong Kong R&D Centre for Logistics and Supply  
Chain Management Enabling Technologies

Professor NG Ka-ming  
Chief Executive Officer  
Nano and Advanced Materials Institute

Agenda Item VII

Mr Allan CHIANG, SBS  
Chief Executive Officer  
Hong Kong Design Centre

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

**Staff in attendance** : Ms May LEUNG  
Legislative Assistant (1)6

---

Action

- I. Information paper issued since last meeting**  
(LC Paper No. CB(1)1366/08-09(01) -- Submission from Parker  
Engineering Limited expressing  
views on rental concession for  
Government properties and land  
(English version only))

Members noted that the submission from Parker Engineering Limited had  
been issued for the Panel's information. Ms Emily LAU requested the  
Administration to provide its response to the submission for members' information.

*(Post-meeting note: The Administration's response was issued to members  
vide LC Paper No. CB(1)1713/08-09(01) on 25 May 2009.)*

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

(LC Paper No. CB(1)1551/08-09(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1551/08-09(02) -- List of follow-up actions)

2. Members noted that the next regular Panel meeting would be held on 16 June 2009 at 2:15 pm in Conference Room A to discuss the following items:

- (a) Progress update on the support measures for small and medium enterprises arising from the global financial turmoil;
- (b) Mainland-Hong Kong technology co-operation;
- (c) Reports on the work of the Hong Kong Economic and Trade Offices and the Office of the Government of the HKSAR in Beijing; and
- (d) Further development of wine-related business in Hong Kong.

*(Post-meeting note: At the Administration's request and with the concurrence of the Chairman, discussion on item (d) was deferred to the meeting scheduled for 21 July 2009.)*

3. At the request of Mr WONG Ting-kwong, the Chairman proposed and members agreed that the item "Copyright protection in the digital environment" be included in the agenda of the meeting scheduled for 21 July 2009.

*(Post-meeting note: At the Administration's request and with the concurrence of the Chairman, discussion on the item about copyright protection in the digital environment was further deferred to the future meeting in the next legislative session.)*

**III. Trade relations between the Mainland and Hong Kong**

(LC Paper No. CB(1)1551/08-09(03) -- Administration's paper on trade relations between the Mainland and Hong Kong

LC Paper No. CB(1)1551/08-09(04) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

4. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the recent developments in the trade relations between the Mainland and Hong Kong, including the measures taken by the Hong Kong Special Administrative Region (HKSAR) Government and the Mainland authorities to support Hong Kong-owned enterprises in the Mainland, as set out in the Administration's paper (LC Paper No. CB(1)1551/08-09(03)).

Discussion

*Business and technological restructuring*

5. Noting that the HKSAR Government and the Guangdong Provincial Government were working together to assist enterprises to restructure and upgrade their operations, Mr Jeffrey LAM enquired about the measures taken to help enterprises transform and upgrade smoothly. Permanent Secretary for Commerce & Economic Development (Commerce, Industry & Tourism) (PSCIT) responded that the Administration would continue to help the enterprises transform and upgrade their operations through various channels and different authorities of the Guangdong Province, including the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade under the Hong Kong/Guangdong Co-operation Joint Conference, the Economic and Trade Commission of Guangdong Province and the Guangdong Customs. The Administration was also liaising with the relevant ministries on measures to improve the implementation of the "single tax return for multiple domestic sales" arrangement.

6. Mr Andrew LEUNG declared that he was the Chairman of the Hong Kong Productivity Council (HKPC). On the project "Transform, Upgrade, Relocate for a New Horizon" which HKPC jointly organized with the HKSAR Government, Mr LEUNG urged the Administration to strengthen co-operation with the two Mainland cities, namely Shenzhen and Dongguan, which were engaging HKPC in organizing similar projects but of a much larger scale. He also urged the Administration to step up effort in helping small and medium enterprises (SMEs) establish their own brand names with innovative products.

7. SCED responded that the Administration was considering to extend the project in discussion with HKPC. She added that the Innovation and Technology Fund (ITF) administered by the Innovation and Technology Commission could help contribute to the enhancement of the productivity and competitiveness of Hong Kong's economic activities. Through the funding of projects under ITF, Hong Kong enterprises could upgrade their technological level and bring in novel ideas to their businesses.

8. In response to Ms Emily LAU's enquiry about the measures taken in assisting Hong Kong-owned enterprises to adjust to changes in the Mainland's policy on processing trade, SCED advised that the HKSAR Government had been

working closely with the Guangdong Provincial Government to help enterprises restructure their business and upgrade their technological performance, so that they would not lose out in competition in the knowledge-based economy. In parallel, the HKSAR Government would continue to encourage the processing trade to relocate their operations to the reception sites designated by the Ministry of Commerce, the northern mountain areas and the east and west wings of Guangdong, or other central and western regions of the Mainland. In this regard, the HKSAR Government and the Hong Kong Trade and Development Council (HKTDC) had organized business delegations to visit a number of reception sites for the relocation of the processing trade so as to keep the trade abreast of the business environment there. The Chairman opined that it was easier to upgrade than to relocate production lines as heavy financial commitment was involved in the relocation of production facilities which were sedentary in nature.

*Helping Hong Kong enterprises tap the Mainland domestic market*

9. Mr Jeffrey LAM noted that the HKTDC had organized the Consumer Products Expo in Guangzhou and the Style Hong Kong Show in Wuhan. In view of the success of these events, he suggested that additional funding of \$200 million should be provided to HKTDC in helping Hong Kong enterprises tap the Mainland market over the next five years. SCED noted Mr LAM's suggestion and advised that the Administration would continue to work with HKTDC through the established funding mechanism in this respect.

10. Whilst welcoming the implementation of the "single tax return for multiple domestic sales" arrangement, the Chairman opined that it should not be a one-off arrangement, and that measures should be taken to enable Hong Kong enterprises to develop a long term relationship with Mainland buyers such as department stores.

11. SCED responded that the "single tax return for multiple domestic sales" arrangement was a Mainland measure designed to alleviate the upfront tax burden on processing trade enterprises and to simplify the tax filing arrangement. The HKSAR Government and the Mainland authorities had co-organized business matching activities to provide a platform for Hong Kong enterprises to develop long-term business relationships with Mainland buyers. In fact, more than 100 Hong Kong enterprises had participated in the "Domestic Market Business Matching Forum" at the 105<sup>th</sup> China Import and Export Fair in April.

12. In response to the Chairman's enquiry, SCED advised that whilst the Administration did not keep track of the number of Hong Kong enterprises going bankrupt or on the brink of bankruptcy in the Mainland, she was aware that the overall economic environment was less than favourable and consumer demand was not strong at the moment.

*Financial support to industries*

13. Noting that the Government had all along been upholding the free market economy policy under the "big market, small government" principle, Ms Emily LAU opined that the Government had not been providing sufficient financial support to the industries to tide over the financial crisis. In this connection, she urged the Administration to provide more assistance to the travel industry and other industries in the wake of the H1N1 virus outbreak. Sharing a similar view, Mr Jeffrey LAM urged the Administration to extend the Special Loan Guarantee Scheme (SpGS) for at least a year and raise the loan guarantee ceiling for individual enterprises to \$12 million and the level of Government guarantee to 80%.

14. In response, SCED advised that the total expenditure spent on stimulating the economy in 2008 amounted to over \$70 billion which accounted for 4% of the GDP. As the travel industry was a vital economic pillar of Hong Kong, the Government had attached great importance to helping the travel industry tide over the financial crisis. In this regard, the Commerce and Economic Development Bureau and the Financial Secretary's Office were devising a package of measures urgently in consultation with the various industries, to stimulate the travel industry and also the overall economy. SCED added that the Administration would carefully consider members' suggestions and come up with a decision on the way forward of the SpGS by the end of May 2009.

*Export credit insurance*

15. Mr Jeffrey LAM declared that he was the Chairman of the Hong Kong Export Credit Insurance Corporation (ECIC) Advisory Board. He urged the Government to introduce enhancement measures to provide local exporters with higher insurance covers under the scheme of ECIC. SCED noted Mr LAM's view and advised that the Administration would devise appropriate measures to alleviate the credit risks borne by exporters.

**IV. Mid-term review of the Research and Development Centres: Funding proposal**

(LC Paper No. CB(1)1551/08-09(05) -- Administration's paper on mid-term review of the Research and Development Centres: Funding proposal

LC Paper No. CB(1)1286/08-09(08) -- Paper on Research and Development Centres under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)1551/08-09(06) -- Extract of minutes of meeting held on 21 April 2009)

Presentation by the Administration

16. At the invitation of the Chairman, SCED briefed members on the funding proposal to extend the operation of the four Research and Development (R&D) Centres, i.e. Automotive Parts and Accessory Systems R&D Centre, Hong Kong Research Institute of Textiles and Apparel, Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies and Nano and Advanced Materials Institute, up to 2013-2014. The Commissioner for Innovation and Technology (CIT) elaborated on the details of the funding proposal, which would entail net additional funding of \$369 million out of the Information and Technology Fund (ITF) for the operation of the R&D Centres, as set out in the Administration's paper (LC Paper No. CB(1)1551/08-09(05)). SCED stressed that it was the Administration's policy commitment to promote innovation and technology as a means to encourage high value added economic activities that open up new sectors for sustainable economic growth. She sought members' support for the submission of the funding proposal to the Finance Committee (FC) on 19 June 2009.

Discussion

*Industry support*

17. Mr Samson TAM expressed support in principle for the funding proposal. He was pleased to note that the Administration had taken members' views into account in adjusting the Centres' target of soliciting industry contributions to platform projects to a more reasonable level of 15%. He considered that such an adjustment would alleviate the pressure on the industry to meet with the target. Mr LAM Tai-fai shared Mr TAM's support for the funding proposal and the lowering of the proportion of industry contribution. At Ms Emily LAU's request, the Administration undertook to include in the submission to FC information on the work of R&D Centres in enhancing incentives for industry support.

Admin

*Support to R&D Centres*

18. Mr Samson TAM enquired about the measures taken to facilitate commercialization of the R&D deliverables in the Mainland market. To enhance transparency of R&D research progress, he suggested that annual meetings with the industry players and the R&D Centres should be held to provide opportunity for the industry to scrutinize the annual accounts and reports and exchange views with the Centres.

19. In response, CIT advised that more resources would be put in the commercialization of R&D deliverables by the Centres. Dedicated business development teams would be set up in the Centres for pursuing technology transfer and commercialization of the R&D deliverables, and exploring new markets

including the Mainland and overseas markets. Overseas roving exhibitions would be organized in collaboration with HKTDC to promote their R&D deliverables. The Hong Kong Productivity Council would also provide assistance to the Centres in pursuing commercialization of their R&D results.

20. SCED added that the Innovative Technology Commission had, through regular meetings with the industry, kept the Centres informed of the progress of commercialization of their R&D results. Whilst there would not be much problem in sharing with the industry players information on the progress for platform R&D projects, there would be a question of intellectual property rights for other non-platform projects such as collaborative projects conducted with individual enterprises. A consensus on this issue would have to be worked out with the enterprises concerned.

#### *Corporate governance of the R&D Centres*

21. Referring to the comments made in the Director of Audit's Reports (Report No. 48 and Report No. 51) about the administration of the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) and Hong Kong Design Centre (HKDC), Ms Emily LAU expressed serious concern about the corporate governance of the R&D Centres, including the relatively high level of estimated operating expenditure for the Centres vis-à-vis the level of estimated R&D expenditure. She opined that it was the general public's expectation that the operating expenditure for the Centres should be kept as low as possible to ensure that taxpayers' money were well-spent.

22. SCED assured members that no compromise would be made in the corporate governance of the government-funded R&D Centres. She advised that following the recommendations of the Director of Audit, monitoring and reporting mechanisms had been put in place to ensure that the corporate governance of the R&D Centres was adequate and that taxpayers' money was well-spent. CIT added that apart from requiring the Centres to put in place a reasonable corporate governance system and procedures, he also sat on the Centres' Board of Directors, Finance and Administration Committee and Technology Committee. SCED elaborated that on top of the existing internal control systems, the Centres had been required to set up audit committees to oversee their internal control systems to further enhance corporate governance and to reinforce the independence of such committees through reorganization of the reporting structure, making them directly report to the Board of Directors. Three of the Centres, including ASTRI, had already set up an audit committee at this stage while others were proceeding as scheduled. On the progress of stepping up corporate governance, including the setting up of audit committees in the Centres, SCED assured members that audit committees would be set up in all five Centres prior to the submission of the funding proposal to FC.

23. On operating expenditure, SCED advised that although the Centres had been set up for three years, some of them had only commenced their R&D projects for just over one year due to the long lead time for planning such projects and

recruiting qualified R&D personnel. During the initial period of operation, the start-up costs were inevitably high, particularly when the economies of scale had yet to be realized. As a cost-saving measure, consideration would be given to the sharing of resources, especially administrative, promotional and human resources, amongst the Centres to achieve savings in resources which could be redeployed for R&D purposes.

Admin 24. Ms Emily LAU was unconvinced that the estimate of operating expenditure from 2006-2007 to 2013-2014 could reflect the savings as described. She suggested that an indicative ratio of operating expenditure to R&D expenditure should be provided for the Centres' budgets. CIT advised that the Administration had made reference to the experience of overseas R&D Centres and found it difficult to prescribe a ratio due to the different modes of operation and funding. Nevertheless, the Administration would continue to work with the Board of Directors of the Centres with a view to working out an acceptable ratio. He further advised that the estimated total operating expenditure from 2006-2007 to 2013-2014 was around \$642.9 million, compared with the total estimated R&D expenditure of \$1,969 million. At Ms LAU's request, the Administration undertook to include in the submission to FC the indicative ratio of operating expenditure to R&D expenditure for each Centre.

25. Whilst recognizing the importance of corporate governance, Mrs Sophie LEUNG warned against the risk of excessive control over the operation of the Centres. She suggested that objective performance indicators should be devised in the control and monitoring mechanism. The Administration should also consider setting up an ad hoc group with private sector participation to look at ways to ensure the commercial viability of the Centres in the long run.

26. Mr WONG Ting-kwong expressed support for the funding proposal. He opined that R&D capabilities in Hong Kong were weak as a result of insufficient investment. He recognized the high risk involved in pursuing R&D researches as fruitful results were not guaranteed. He was neither in favour of over-emphasis on producing fruitful research deliverables, nor excessive control over the operation of the Centres which would put undue pressure on the scholars and research professionals as well as undermine their effort in research work. Nevertheless, he noted that the Director of Audit's Report on HKDC had highlighted a number of deficiencies in corporate governance, and urged the management of the Centres to strengthen effort in this respect.

#### *Grooming of local talents*

27. Mr LAM Tai-fai opined that the Administration should help young local talents participate in the R&D projects. SCED responded that the Administration attached great importance to grooming a pool of local research talents. CIT added that an Internship Programme was in place which aimed at providing opportunities for Master/Doctorate Degree students or graduates from local universities to acquire research experience by participating in R&D projects funded by ITF.

Summing up

28. Summing up, the Chairman concluded that the Panel supported in principle the funding proposal for the R&D Centres.

**V. Progress update on the support measures for small and medium enterprises arising from the global financial turmoil**

(LC Paper No. CB(1)1551/08-09(07) -- Administration's paper on progress update on the support measures for small and medium enterprises arising from the global financial turmoil

LC Paper No. CB(1)1675/08-09(01) -- Administration's paper on progress update on the support measures for small and medium enterprises arising from the global financial turmoil (supplementary note))

Presentation by the Administration

29. At the invitation of the Chairman, PSCIT briefed members on the latest position of the small and medium enterprise (SME) Loan Guarantee Scheme (SGS) and SpGS. Members noted that as at 17 May 2009, out of 9 985 applications received by the Trade and Industry Department (TID) under both schemes, 8 968 applications had been approved involving a total loan amount of \$18.1 billion.

Discussion

*Support for the industries*

30. Mr Paul TSE said that the outbreak of H1N1 virus amidst the financial tsunami had aggravated the burden of the travel industry. In view that a number of travel agents were on the brink of closing down, he urged the Administration to consider introducing a scheme similar to the "Loan Guarantee Scheme for SARS Impacted Industries" in 2003 to address the financial difficulties of the travel industry.

31. In response, PSCIT advised that the Administration was fully aware of the situation faced by various industries including the travel, hotel and retail industries. In this regard, the Administration implemented the enhancement measures for SGS on 6 November 2008 and launched the SpGS on 15 December 2008 to address the liquidity problem of SMEs. She further said that the Administration would continue to work closely with the travel industry and make suitable adjustments to the schemes as necessary.

32. Noting the sharp decrease in Gross Domestic Product and the recent findings of the pay trend survey, Mr WONG Ting-kwong expressed grave concern over the economic outlook. Given the low average loan amount and the small number of loans approved under the loan schemes, he urged the Administration to encourage the participating lending institutions (PLIs) to adopt a more open attitude in approving loan applications.

33. In response, PSCIT advised that the Administration had been liaising closely with the PLIs whilst encouraging them to be as flexible and accommodating as possible in processing loan applications. On the other hand, TID had maintained close contact with the SMEs and explained to them the operation of the loans schemes. She explained that the average loan amount approved under the SpGS was \$1.9 million which was not a small amount given the size of an average SME. Director-General of Trade & Industry (DG(TI)) added that a Guide for SMEs in Obtaining Business Loan from Lending Institutions had been compiled to facilitate SMEs in securing loans under the schemes. Some 6 000 enterprises hiring a total of 120 000 employees had benefitted from the schemes. The results had been promising.

34. Noting that only 116 applications submitted by restaurants had been approved under the schemes, Mr Tommy CHEUNG pointed out that some SMEs had experienced their credit lines being suddenly cut by the banks, causing them to be unable to tide over their liquidity problems. He urged the Administration to raise the Government loan guarantee ratio beyond 70% whilst relaxing the eligibility criteria to enable more SMEs to secure loans. He also urged the Administration to review unsuccessful applications with the PLIs. Sharing a similar view, Ms Emily LAU opined that the Administration had been too slow in addressing SMEs' pressing liquidity problems. Mr WONG Ting-kwong echoed the members' views and urged the Administration to raise the maximum loan amount for each SME.

35. PSCIT responded that the Administration including the Financial Secretary had been actively monitoring and reviewing the schemes and hopefully would announce further enhancement measures very soon. Moreover, the Chief Executive had pledged during the Question and Answer Session at the Council meeting held on 14 May 2009 to announce the support measures within one month. Ms Emily LAU urged the Administration to report the new relief measures to the Panel before submitting them to the Finance Committee.

**VI. Mainland and Hong Kong Closer Economic Partnership Arrangement: Further liberalization measures in 2009**

(LC Paper No. CB(1)1551/08-09(08) -- Administration's paper on Mainland and Hong Kong Closer Economic Partnership Arrangement: Further liberalization measures in 2009

LC Paper No. CB(1)1551/08-09(04) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

36. At the invitation of the Chairman, PSCIT briefed members on the outcome of the discussions with the Central People's Government on further liberalization under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), details of which were set out in the Administration's paper (LC Paper No. CB(1)1551/08-09(08)).

Discussion

*Tourism-related measures*

37. In response to Mr Paul TSE's enquiry about the progress of further liberalization measures for travel industry, PSCIT highlighted that under Supplement VI to CEPA, Mainland travel agents authorized to operate group tours to Taiwan were allowed to organize group tours for Mainland residents travelling to and from Taiwan to enter and remain in Hong Kong in transit. This measure would facilitate the travel industry in the Mainland and Hong Kong to develop multi-destination tour products. Moreover, Hong Kong permanent residents with Chinese citizenship were allowed to obtain Mainland outbound tour escort credential. As regards Mr TSE's enquiry about the measure of allowing Mainland group tours to Taiwan from Hong Kong by taking cruise vessels homeporting in Hong Kong, PSCIT advised that the Tourism Commission had been in close contact with the China National Tourism Administration, the cruise vessels companies and the 146 Mainland travel agents authorized to operate group tours to Taiwan to take the issue forward as a matter of urgency, with the aim of having the first group tour to Taiwan by this summer.

38. The Chairman welcomed the signing of Supplement VI to CEPA. He envisaged that with the improving relationship between the Mainland and Taiwan, some form of economic partnership arrangement similar to CEPA would eventually be reached between both sides. As such, he remarked that account should be taken of the need to provide lower market access thresholds under CEPA liberalization so as to deepen trade co-operation and foster closer economic integration between Hong Kong and the Mainland.

**VII. Report on Hong Kong Design Centre's Activities from April 2008 to March 2009**

(LC Paper No. CB(1)1551/08-09(09) -- Administration's paper on report on Hong Kong Design Centre's Activities from April 2008 to March 2009

LC Paper No. CB(1)1551/08-09(10) -- Paper on Hong Kong Design Centre prepared by the Legislative Council Secretariat (background brief)

LC Paper No. CB(1)1676/08-09(01) -- Administration's paper on report (*tabled at the meeting and subsequently issued via e-mail on 21 May 2009*) on Hong Kong Design Centre's Activities from April 2008 to March 2009 (Chinese version only) (power-point presentation material))

Presentation by the Administration

39. With the aid of powerpoint presentation, the Chief Executive Officer of the Hong Kong Design Centre briefed members of the work and activities conducted by HKDC between April 2008 and March 2009, details of which were set out in the Administration's paper (LC Paper No. CB(1)1551/08-09(09)).

Discussion

*Corporate governance*

40. Noting the various activities conducted by HKDC, Ms Emily LAU enquired about the performance indicators of the programmes. She also enquired about the progress of HKDC's implementation of the recommendations made by the Audit Commission in the Report No. 51 of the Public Accounts Committee. She opined that issues relating to corporate governance and management of funding should be addressed in HKDC's annual report to the Panel.

41. In response, CIT advised that HKDC would engage a consultant to undertake a review, which would cover, among other things, a performance evaluation framework for the design industries in Hong Kong, including HKDC. He said that HKDC had accepted all the recommendations of the Director of Audit and implemented the improvement measures accordingly. The Chief Secretary for Administration would present the Government Minute in response to the Report No. 51 of the Public Accounts Committee at the Council meeting on 20 May 2009. At the Chairman's request, CIT undertook to include issues relating to corporate governance and management of funding in HKDC's annual reports to the Panel in future.

*Collaboration with the industrial sector*

42. Dr Samson TAM opined that there were no clear indicators as to the benefits brought about by HKDC to the industrial sector. In response, CIT advised that the DesignSmart Initiative (DSI) administered by the Innovation and Technology Commission aimed to bring industries together with local designers. Under the Design Support Programme of DSI, small-and-medium-sized enterprises were encouraged to utilize design as a competitive tool through leveraging the knowledge and resources of the design industry. Project funding was provided on a matching basis. In response to the Chairman's enquiry, CIT advised that the maximum funding support for each project was \$100,000.

43. Summing up, the Chairman said that it was important for HKDC to promote a wider and more strategic use of design to enhance Hong Kong's competitiveness.

**VIII. Any other business**

44. The Chairman advised that at the invitation of the AsiaWorld-Expo Management Limited, a visit-cum-luncheon would be held at AsiaWorld-Expo at a date to be fixed. He invited members who were interested in the visit to confirm their attendance with the Secretariat.

*(Post-meeting note: The visit-cum-luncheon to AsiaWorld-Expo was held on 14 July 2009.)*

45. There being no other business, the meeting ended at 5:30 pm.