

立法會
Legislative Council

LC Paper No. CB(1)2403/10-11
(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 19 April 2011, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
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, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon Paul CHAN Mo-po, MH, JP
Hon Mrs Regina IP LAU Suk-yeet, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
- Member attending** : Hon WONG Kwok-hing, MH
- Members absent** : Hon Fred LI Wah-ming, SBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Albert CHAN Wai-yip

- Public officers attending** : Agenda item IV
- Miss Elizabeth TSE, JP
Permanent Secretary for Commerce and Economic Development (Communications and Technology)
- Miss Janet WONG, JP
Commissioner for Innovation & Technology
- Mr Andrew LAI, JP
Deputy Commissioner for Innovation & Technology
- Agenda item V
- Miss Elizabeth TSE, JP
Permanent Secretary for Commerce and Economic Development (Communications and Technology)
- Miss Janet WONG, JP
Commissioner for Innovation & Technology
- Mr Andrew LAI, JP
Deputy Commissioner for Innovation & Technology
- Attendance by invitation** : Agenda Item IV
- The Hong Kong Science and Technology Parks Corporation
- Mr Anthony TAN, MH
Chief Executive Officer
- Clerk in attendance** : Ms YUE Tin-po
Chief Council Secretary (1)3
- Staff in attendance** : Miss Rita YUNG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1830/10-11 -- Minutes of meeting held on
15 February 2011)

The minutes of the meeting held on 15 February 2011 were confirmed.

II. Information papers issued since last meeting

(LC Paper Nos. -- Administration's papers on
CB(1) 1723/10-11(01), (02) and (03) United Nations Sanctions
(Democratic Republic of the
Congo) Regulation 2011,
United Nations Sanctions
(Iran) (Amendment)
Regulation 2011, United
Nations Sanctions (Liberia)
Regulation 2011 and the
United Nations Sanctions
(Liberia) Regulation 2010
(Repeal) Regulation

LC Paper No. CB(1)1733/10-11(01) -- Submission from the
(*Chinese version only*) Concern Group for a
Competitive Exhibition in
Hong Kong expressing
views on the development of
the exhibition industry in
Hong Kong dated 25 March
2011)

2. Members noted that the above papers had been issued since the last meeting.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1893/10-11(01) -- List of outstanding items
for discussion

LC Paper No. CB(1)1893/10-11(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 17 May 2011 at 2:30 pm to discuss the following items:

- (a) Progress report of the Hong Kong Council for Testing and Certification; and
- (b) Review of the Hong Kong Patent Registration System.

4. Mr Vincent FANG referred to his letter to the Chairman dated 13 April 2011 suggesting that the Panel should discuss the impact of the earthquake and radiation leakage in Japan on Hong Kong enterprises, and the provision of support measures, including funding schemes, for small and medium enterprises (SMEs) in coping with the difficulties during the incidents. The Chairman informed members that the Administration would brief members on its proposal to increase the financial commitment of the SME Export Marketing Fund and the SME Development Fund by \$1 billion at the Panel meeting on 21 June 2011. He suggested and members agreed that the Panel should follow up the concerns raised by Mr FANG at the June meeting. Members requested that the Administration should contact the Hong Kong Trade Development Council, major local trade and industry associations, with a view to understanding the latest impact of the incidents in Japan on local SMEs. Relevant statistics and figures on Hong Kong's import and export trade before and after the incidents should be provided to the Panel. The Administration should also include any proposed relief measures for SMEs in this regard in its discussion paper for the June meeting.

(Post-meeting note: Mr Vincent FANG's letter was tabled at the meeting and subsequently issued via LC Paper No. CB(1)2223/10-11(01) on 18 May 2011.)

IV. Latest developments of Industrial Estates

(LC Paper No. CB(1)1893/10-11(03) -- Administration's paper on latest developments of Industrial Estates

LC Paper No. CB(1)1893/10-11(04) -- Paper on the three Industrial Estates operated and managed by the Hong Kong Science and Technology Parks Corporation prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

5. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCED(CT)) briefed members on the latest developments of Industrial Estates (IEs) managed by the Hong Kong Science and Technology Parks Corporation (HKSTPC), as set out in the Administration's paper (LC Paper No. CB(1)1893/10-11(03)).

Discussion

Complementing the National 12th Five-Year Plan

6. Mr Jeffrey LAM noted that with the changes of the industry taking place in the last decade or so, it was necessary to review the situation of IEs taking into account various factors. HKSTPC hence commissioned a consultancy study on revitalizing and repositioning of IEs which was completed in 2010. He enquired about how the revitalization and reposition of IEs could complement "The Outline of the 12th Five-Year Plan for National Economic and Social Development of the People's Republic of China" (the National 12th Five-Year Plan), and the development of the six industries where Hong Kong enjoyed clear advantages.

7. In response, PSCED(CT) advised that the National 12th Five-Year Plan was promulgated in March 2011 and its Chapter 57 was dedicated to Hong Kong and Macao. The dedicated chapter affirmed the Central Government's support for Hong Kong in enhancing its competitive advantages and developing the six new industries. She added that in the early years of the operation of IEs, traditional manufacturing constituted the majority of the land grants. In view of the changing nature of the manufacturing sector and the increasing contribution of service industry, the scope of activities permissible in IE was extended in 1998 to include technology services sectors, such as broadcasting and telecommunications. With the introduction of the Tseung Kwan O IE in two stages between 1994 and 1996, more opportunities were offered to those operators that required

larger sites or marine access. With the inclusion of technology service industries in 1998, high technology operations in satellite monitoring and control, submarine cable operation and television broadcasting were admitted. Such demand from the information telecommunications sector continued into the new century. With the grant of site for the first data centre in Tseung Kwan O IE in 2005, more data centre and telecommunications projects had been admitted lately.

8. Commissioner for Innovation & Technology (CIT) supplemented that from 12 to 15 April 2011, the Innovation and Technology Commission led a delegation of about 40 representatives from local universities, research institutes, Partner State Key Laboratories and industrialists to visit the Ministry of Science and Technology to discuss means of further collaboration with the Mainland in complementing the National 12th Five-Year Plan. She advised that while Hong Kong had a strong innovation and technology edge, its competitiveness as a manufacturing base was less favourable. By comparison, other locations within the region, notably the Mainland, represented "better value", largely due to lower labour and land costs. Nevertheless, Hong Kong still had a competitive edge in the region in terms of intellectual property protection regime, good supply of talents in research and development, etc. These might attract industries that would bring wider benefits to Hong Kong, in particular those involving high value-added, high productivity and high technology activities such as biotechnology, environmental technology, information and data services.

Improvement of utilization

9. In response to Dr Samson TAM's and Mr Andrew LEUNG's concern about the improvement of utilization of IEs, Chief Executive Officer of The Hong Kong Science and Technology Parks Corporation (CEO/HKSTPC) advised that HKSTPC had been actively facilitating the upgrading of technology level and broadening of industrial base in IEs through the established admission procedures and exit arrangements in the lease. Grantees that were not fully utilizing their IE sites were encouraged to consider new projects by their companies, surrender the sites or to look for new grantees by way of assignment which met the prevailing admission criteria of IEs. New businesses involving advanced technology, high investment and more technical personnel were most preferred. Since January 2007, HKSTPC had approved 17 assignment applications involving 18 hectares of land.

10. CEO/HKSTPC added that HKSTPC also conducted site inspections on a regular basis and if a grantee was proved to be in breach of terms and conditions of the lease, HKSTPC might take actions, having regard to the

lease conditions, including the charging of additional premium. Instituting the re-entry process would be an ultimate resort as it would involve legal proceedings and thus was time-consuming. At present, HKSTPC had identified 27 out of the total of 167 grantees as not fully utilizing their IE sites or in breach of terms and conditions of the lease. Three cases in which the grantees had been proved to be in breach of terms and conditions of the lease had been rectified. HKSTPC would continue its effort in facilitating and encouraging assignments with a view to further improving the utilization of IEs.

Data centre development

11. Dr Samson TAM expressed concern about the availability of land suitable for setting up data centres, and enquired whether the Administration would establish specific parks for data centre development. Mrs Regina IP also enquired whether the Administration had formulated policies for the development of data centres.

12. In response, PSCED(CT) advised that data centres were an essential infrastructure to support other economic sectors in Hong Kong, including financial services and logistics. The Administration fully supported the development of data centres to sustain Hong Kong's economic growth. The Administration had no intention to establish data centre parks at this stage as it was difficult to find large sites for such purpose. Nevertheless, it had been actively identifying sites of about 2 to 3 hectares each for high-tier data centre development. The Administration would also promote the incentive measures that facilitate the establishment of data centres in conventional industrial buildings. Owners who opt for the wholesale conversion of existing industrial buildings for data centre use instead of redevelopment were exempted from paying the waiver fee for change of land use, provided that the age of property met the prescribed requirement and planning permission was obtained. Owners were only required to pay additional premiums according to the actual development density after redevelopment instead of the maximum permitted development density based on a "pay for what you build" approach. This measure would facilitate the development of data centres, which were normally of lower development density.

13. PSCED(CT) added that the Office of the Government Chief Information Officer (OGCIO) would launch a portal around mid-2011 to publicize the Administration's policies on data centre development and disseminate information relevant to potential developers and investors of data centres. This might include information on available sites, industrial buildings that might be converted into data centres, how data centres could benefit from the industrial building optimization scheme, power supply,

telecommunications coverage, and whether there was hazardous use in the vicinity, etc. The information portal would help expedite the land search and application processes. Invest Hong Kong would continue to promote Hong Kong as a prime location for data centres in the Asia Pacific region, and to provide customized services to interested data centre investors from Mainland and overseas. OGCIO and Invest Hong Kong could engage the trade and organize roadshows or dedicated delegations to attract potential clients to Hong Kong.

14. Mr Andrew LEUNG declared that he was a director of a company which had applied for an IE site for setting up a commercial data centre. The application was not successful since data centres operating on a commercial basis were not accepted by HKSTPC. Mr LEUNG opined that the Administration should review the stringent admission criteria imposed by HKSTPC. In response, CEO/HKSTPC advised that HKSTPC had been taking a relaxed view on data centre operations and applications from high-end data centre projects would be considered by HKSTPC in accordance with its admission criteria.

Development of the fourth IE

15. Mr WONG Kwok-hing opined that the Administration should facilitate structural transformation of the economy of Hong Kong, thus creating more job opportunities for the front-line labour. He expressed doubt whether the Administration was willing to set up the fourth IE. Ms Emily LAU shared similar concern. CIT responded that in considering the need of the fourth IE, it was necessary to ascertain whether there was sufficient demand in the market to justify the case given that land resources were extremely scarce and valuable in Hong Kong. In other words, the overall priorities of land use in Hong Kong should be carefully considered to achieve the greatest benefit for the community. She added that with the developments in past years, the vast majority of the manufacturing industry was already in the Pearl River Delta area. PSCED(CT) supplemented that the Administration kept an open mind in considering whether or not to have the fourth IE.

16. Mr Jeffrey LAM expressed concern about the availability of land for the development of the fourth IE. PSCED(CT) responded that it might be difficult to find sites close to urban areas. Latest research showed that possible locations included the New Development Area in Ping Che/Ta Kwu Ling and the Lok Ma Chau Loop Area. In response to Ms Emily LAU's enquiry, Deputy Commissioner for Innovation & Technology (DCIT) advised that according to the Planning Department, both projects were at early planning stage. Potential sites for development of IE in Ping Che/Ta Kwu

Ling and the Lok Ma Chau Loop area would be available in 2019 and 2016 respectively at the earliest.

17. Mr Vincent FANG supported the development of the fourth IE. Noting that six recycling projects had already been admitted in IEs in the past few years, he considered that it would not be desirable to accommodate concurrently in one IE certain types of activities from the recycling, pharmaceutical and data centre industries. In other words, there might be a conflict between different users. He called on the Administration to consider carefully the scope of activities permissible in the fourth IE in the future.

18. In response, CIT and DCIT advised that if the need of the fourth IE could be justified, the Administration would consider carefully the future mode of operation, including the scope of activities permissible, duration of lease and whether there should be subsidy of any form and magnitude, etc, to ensure the best use of valuable resources.

Summing up

19. The Chairman concluded that members in general supported examining the development of the fourth IE. At the request of the Chairman, CIT agreed to provide for members' perusal the report on the consultancy study on revitalizing and repositioning of IEs commissioned by the HKSTPC, and a progress report within this year by the Government in consultation with HKSTPC, on the need for the fourth IE.

(Post-meeting note: The report on the consultancy study on revitalizing and repositioning of Industrial Estates provided by the Administration (English version only) was issued, on a restricted basis, to members via LC Paper No. CB(1)2187/10-11(01) on 17 May 2011.)

V. Progress report on the promotion of innovation and technology development in Hong Kong

(LC Paper No. CB(1)1893/10-11(05) -- Administration's paper on progress report on the promotion of innovation and technology development in Hong Kong

- LC Paper No. CB(1)1893/10-11(06) -- Paper on Research and Development Cash Rebate Scheme prepared by the Legislative Council Secretariat (updated background brief)
- LC Paper No. CB(1)1893/10-11(07) -- Paper on progress on improving the Innovation and Technology Fund and promotion of use of innovation and technology in the public sector prepared by the Legislative Council Secretariat (updated background brief)
- LC Paper No. CB(1)1893/10-11(08) -- Paper on promoting the development of the testing and certification industry in Hong Kong prepared by the Legislative Council Secretariat (updated background brief)
- LC Paper No. CB(1)1893/10-11(09) -- Paper on financial support for Partner State Key Laboratories prepared by the Legislative Council Secretariat (updated background brief)
- LC Paper No. CB(1)1893/10-11(10) -- Extract of minutes of meeting on progress report on the comprehensive review of the Research and Development Centres held on 16 November 2010

LC Paper No. CB(1)1969/10-11(01) -- Submission from Kowloon Chamber of Commerce
(*Chinese version only*)
(*tabled at the meeting and subsequently issued via e-mail on 19 April 2011*)

LC Paper No. CB(1)1969/10-11(02) -- Submission from The Hong Kong Society of Chinese Medicines)
(*Chinese version only*)
(*tabled at the meeting and subsequently issued via e-mail on 19 April 2011*)

Presentation by the Administration

20. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCED(CT)) briefed members on the progress of Government's effort in promoting innovation and technology, as set out in the Administration's paper (LC Paper No. CB(1)1893/10-11(05)).

Discussion

21. Dr LAM Tai-fai noted that Government had suggested the Board of the Hong Kong Jockey Club Institute of Chinese Medicine (HKJCICM) to engage consultants to conduct a comprehensive review of the operation of HKJCICM in 2010. He also noted that the report on the review was completed and submitted to the Board of HKJCICM and the Innovation and Technology Commission (ITC) for consideration in March 2011. He enquired about details of the review and the consultants who were engaged to conduct the review.

22. Commissioner for Innovation & Technology (CIT) said that HKJCICM was established in May 2001 as a joint-venture limited company of the Applied Science and Technology Research Institute (ASTRI) and the Hong Kong Jockey Club Charities Limited (HKJCCL) each having 50% share of HKJCICM. The recurrent expenditure of HKJCICM was funded by ASTRI while its R&D expenditure was funded by the Hong Kong Jockey Club Charities Trust. The main reason for putting HKJCICM under ASTRI at the outset was that HKJCICM was a small organization and could benefit from ASTRI's administrative and financial support. However, with the passage of time, ASTRI had increasingly focused its work on information and communications technologies, which was not related in any way to the development of Chinese medicine (CM).

23. CIT further advised that there had been considerable new developments and changes in the CM sector in the past decade, showing that more and more parties (including the Hong Kong Council for Testing and Certification, local universities, Hong Kong Science and Technology Parks Corporation, etc.) had become interested in and were capable of contributing to the development of CM in Hong Kong in various ways. The Administration considered it appropriate to conduct a comprehensive review on the overall situation including the operation of HKJCICM at this stage. The Board of HKJCICM had therefore engaged two retired senior staff of the Executive Officer grade to conduct the review.

24. CIT added that according to the report submitted by the consultants, HKJCICM had made some achievements in the past 10 years. However, its overall cost effectiveness was not satisfactory. On project funding, HKJCICM had supported 18 projects with total funding amount of \$108 million over the last 10 years, which was equivalent to only about one-fifth of HKJCCL's \$500 million funding support to HKJCICM.

25. Ms Emily LAU expressed concern about staff departure of HKJCICM between June and December 2010. She also asked about details of the internal problems of HKJCICM. In response, Deputy Commissioner for Innovation & Technology pointed out that starting June 2010, the ITC and the Board of HKJCICM received an anonymous complaint as well as complaints from staff of HKJCICM respectively about the mismanagement of HKJCICM. In addition, there was a dispute between two senior staff of HKJCICM, and the issue had been referred to the law enforcement agency for investigation. There was also a defamation action among the staff of HKJCICM. Furthermore, a total of 13 staff had tendered their resignations between June and December 2010. The Board members had also been informed that some documents and research records of HKJCICM had been missing. The matter had been referred to the law enforcement agency for investigation.

26. Noting that there was reasonably wide acceptance of the general population on the use of CM in Hong Kong and the Mainland, Mr Vincent FANG opined that sufficient resources should be deployed to the development of CM as there were huge business opportunities for CM made in Hong Kong, particularly for the Mainland market. He enquired why the Administration had not discovered the internal problems of HKJCICM until ten years after its establishment. He suggested that the Executive Director or the Board of HKJCICM should be invited to explain its internal problems to the Panel.

27. In response, CIT advised that HKJCICM had tried to revamp its strategies and work focus in the past but its performance had not been improved substantially. She added that in the past decade, the research capabilities and infrastructures of local universities in CM area had been enhanced, and the universities had been collaborating to conduct research in CM. Besides, they also explored the feasibility of integrating Chinese and western medicines. The Administration considered it appropriate to review the role of HKJCICM in conducting research in CM.

28. CIT added that since the coordination of work on promoting CM development in Hong Kong had become increasingly complex, the Administration considered that HKJCICM should be disbanded and that a new Government-led committee would be more effective in coordinating the collaboration of all parties in promoting the research and development (R&D) and testing of CM. However, the final outcome would be subject to decision of the two share holders, ASTRI and HKJCCL.

29. Dr LAM Tai-fai had reservation about the disbandment of HKJCICM and the proposed setting-up of a new Government-led committee. Mr Jeffrey LAM also expressed concern whether the Administration had consulted the CM industry and various stakeholders before deciding on the future of HKJCICM. Ms Emily LAU and Mr Andrew LEUNG shared a similar concern. CIT advised that the Administration had met with representatives of the CM industry and local universities conducting research in CM to discuss the issue. Letters from relevant organizations had also been received and the Administration had responded to them accordingly.

30. Mr Andrew LEUNG declared that he was a former Chairman of the Hong Kong Productivity Council (HKPC). He opined that the Administration's proposal to set up a new committee under the Government to coordinate all the relevant work might not be the most suitable and effective way to promote the development of CM in Hong Kong. He suggested that the Administration should consider putting HKJCICM under other organizations, such as the Hong Kong Science Park or HKPC. CIT responded that other than ASTRI, the Administration had explored the possibility for other organizations to manage HKJCICM but no positive response was received.

31. At the request of Dr LAM Tai-fai and Ms Emily LAU, CIT agreed to provide for members' perusal the consultancy report of the review of HKJCICM, subject to the consent of the Board of HKJCICM.

(Post-meeting note: The consultancy report of the review of HKJCICM and the supplementary information provided by the Administration were issued, on a confidential basis, to Panel members via LC Paper No. CB(1)2099/10-11(01) on 11 May 2011.)

32. Summing up, the Chairman concluded that members acknowledged the importance of the development of CM in Hong Kong. However, the future of HKJCICM or the proposal of setting up a new Government-led committee to coordinate all relevant work in promoting the R&D and testing of CM should be carefully studied. The Panel would decide whether a special meeting would be held to invite representatives of the CM industry and the two shareholders of HKJCICM to give views on the subject after examination of the consultancy report.

VI. Any other business

33. There being no other business, the meeting ended at 4:32 pm.