

立法會
Legislative Council

LC Paper No. CB(1)3077/10-11
(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 21 June 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 Tommy CHEUNG Yu-yan, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
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-ye, GBS, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Members absent : Hon Fred LI Wah-ming, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon Samson TAM Wai-ho, JP

Public officers attending : Agenda item IV

Mr Andrew H Y WONG, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mrs Janet CHU
Principal Executive Officer (Administration)
Commerce and Economic Development Bureau

Mr Brian LO, JP
Deputy Secretary for the Civil Service 2

Miss Charmaine LEE
Principal Assistant Secretary (Conditions of
Service)
Civil Service Bureau

Agenda item V

Commerce and Economic Development Bureau

Mr Andrew H Y WONG, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Martin GLASS, JP
Permanent Representative of the Hong Kong
Special Administrative Region of China to the
World Trade Organization

Mr Donald TONG, JP
Commissioner for Economic and Trade Affairs,
USA

Miss Mary CHOW, JP
Special Representative for Hong Kong Economic
and Trade Affairs to the European Union

Mrs Jennie CHOK, JP
Principal Hong Kong Economic and Trade
Representative, Tokyo

Mr Stephen WONG
Director, Hong Kong Economic and Trade Affairs,
Berlin

Mrs Agnes ALLCOCK
Director-General, Hong Kong Economic and Trade
Affairs, London

Mr Bassanio SO
Director-General, Hong Kong Economic and Trade
Affairs, Washington

Ms Maureen SIU
Director, Hong Kong Economic and Trade Affairs,
Toronto

Miss Anita CHAN
Director, Hong Kong Economic and Trade Affairs,
New York

Mr Jeff LEUNG
Director, Hong Kong Economic and Trade Affairs,
San Francisco

Miss Subrina CHOW
Director, Hong Kong Economic and Trade Affairs,
Singapore

Constitutional and Mainland Affairs Bureau

Mr Howard CHAN, JP
Deputy Secretary for Constitutional and Mainland
Affairs 2

Mr Thomas TSO, JP
Director, Beijing Office

Mr Rex CHANG
Director, Hong Kong Economic and Trade Affairs,
Guangdong

Ms Joyce TAM
Director, Hong Kong Economic and Trade Affairs,
Shanghai

Mr Eddie POON
Director, Hong Kong Economic and Trade Affairs,
Chengdu

Agenda Item VI

Ms Maria KWAN Sik-ning, JP
Director-General of Trade and Industry

Ms Carol YUEN Siu-wai
Deputy Director-General of Trade & Industry
(Commercial Relations, Controls & Support)

Mrs Alice CHEUNG CHIU Hoi-yue
Deputy Secretary for Commerce & Economic
Development (Commerce & Industry)³

Miss Belinda KWAN
Assistant Director-General of Trade and Industry
(Industries Support)

Agenda Item VII

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Andrew LAI, JP
Deputy Commissioner for Innovation and
Technology

Prof YUE On-ching
Science Advisor
Innovation and Technology Commission

Mr Davey CHUNG
Assistant Commissioner for Innovation and
Technology

Attendance by invitation

: Agenda Item VII

Hong Kong Research Institute of Textiles and Apparel

Mr Haider BARMA, GBS, CBE, JP
Chief Executive Officer

Hong Kong Applied Science and Technology Research Institute

Dr Nim CHEUNG
Chief Executive Officer

Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies

Prof C J TAN
Chief Executive Officer

Nano and Advanced Materials Institute

Prof NG Ka-ming
Chief Executive Officer

Hong Kong Automotive Parts and Accessory Systems R&D Centre

Dr YANG Ying
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

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)2403/10-11 -- Minutes of meeting held on 19 April 2011)

The minutes of the meeting held on 19 April 2011 were confirmed.

II. Information paper issued since last meeting

2. Members noted that no paper had been issued since the last meeting held on 17 May 2011.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)2481/10-11(01) -- List of outstanding items for discussion

LC Paper No. CB(1)2481/10-11(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 19 July 2011 at 2:30 pm to discuss the following items:

- (a) Progress report on the Research and Development Cash Rebate Scheme; and
- (b) Legislative Amendments on Rules of Origin for Agreements of Trade Liberalization.

(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, two additional agenda items, "Proposed adjustment to textiles-related fees and charges" and "Establishment of a multi-functional office in Taiwan" were subsequently included in the agenda for the July meeting.)

4. The Chairman informed members that the Innovation and Technology Commission (ITC) had proposed to invite Panel members to visit the Hong Kong Applied Science and Technology Research Institute, Nano and Advanced Materials Institute and Hong Kong Science Park on 7 July 2011 at 12:45 pm. Members would be informed of the details of the visit upon receipt of the formal invitation from ITC.

(Post-meeting note: A circular was issued to members vide LC Paper No. CB(1)2569/10-11 on 23 June 2011 to invite members to join the visit on 7 July 2011.)

IV. Rent allowance and Exchange Compensation Allowance for officers posted outside Hong Kong

(LC Paper No. CB(1)2481/10-11(03) -- Administration's paper on rent allowance and exchange compensation allowance for officers posted outside Hong Kong)

Presentation by the Administration

5. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the outcome of the review of the rent allowance (RA) mechanism and the Administration's proposal to rationalize the current system for RA payable to officers posted to overseas Economic and Trade Offices (ETOs) under the Commerce and Economic Development Bureau and secondments to overseas organizations, and the proposal to allow flexibility in the level of salary to be covered under the Exchange Compensation Allowance (ECA) scheme payable to officers posted outside Hong Kong. Details of the outcome of the review and the proposals are set out in the Administration's paper (LC Paper No. CB(1)2481/10-11(03)).

Discussion

6. In response to Dr LAM Tai-fai's enquiry about the saving of \$2.1 million if the proposed RA rates were adopted, PSCIT advised that in the past, the basis for determining RA rates varied amongst different locations. Due to the lack of a consistent and specific approach in rate adjustment, the RA rates for certain cities of posting had fallen out of step with changes in the rental market. Moreover, the structure of the RA rates differed amongst different cities of posting. There was also no consistent approach in determining the RA rates for new cities of posting or new ranks in existing cities. The proposed new mechanism provided for a set of objective standards based on which all the RA rates were drawn up and covered all the ranks in the civil service. If the proposed RA mechanism was adopted, some rates would be reduced while others would be increased. In response to the Chairman's enquiry, PSCIT advised that to avoid undue hardship to those serving officers on their current tour who had already engaged their accommodation in the cities of posting/secondment, the Administration proposed to grandfather their existing RA entitlement covering their existing tenancy agreement in the case where the RA rates had been reduced. The new rates would only apply when the officers moved from one residence to another.

7. Dr LAM Tai-fai enquired about the setting of pre-determined levels (i.e. 25%, 50%, or 75% of salary) to be covered by the ECA scheme. Deputy Secretary for the Civil Service 2 advised that the set level of 75% of salary was approved by the Finance Committee in 1991. PSCIT supplemented that in recent years, the Administration had received feedback from officers posted outside Hong Kong regarding the set level of 75% of the salary covered by the ECA scheme. Some officers took the view that the percentage committed was too substantial and had requested that officers should be given more flexibility in deciding the portion of salary to be covered under the scheme to cater for individual needs. The Administration had reviewed the arrangements of the ECA scheme and considered the merits of allowing greater flexibility for the portion of salary to be covered by the scheme. Having regard to the nature of the scheme which aimed at protecting officers against adverse exchange rate fluctuations, the Administration proposed that officers should be allowed to opt among a number of pre-determined levels (i.e. 25%, 50%, or 75% of salary) to be covered by the ECA scheme.

8. Mrs Regina IP expressed support for the Administration's proposed new RA mechanism and the new ECA arrangement. As regards the ECA scheme, she enquired whether an officer was allowed to opt for a different level during the course of a posting. She also enquired about the arrangement of the ECA scheme when serving officers were offered an extension of the tour.

9. PSCIT responded that an officer's decision of opting in or out of the ECA scheme, and the decision about the percentage of salary to be covered by the scheme could not be reversed during the course of a posting. The Administration proposed that the new arrangement should apply to officers who were given a written offer for an external posting/secondment from a prospective date. It included a written offer for consecutive tour(s) in another office outside Hong Kong given on or after the prospective date but did not include a written offer for an extension of tour for serving in the same post or for consecutive tour(s) in a different post in the same office. However, if an officer made a special request to opt afresh for the extension of the tour or the consecutive tour(s) in a different post in the same office, consideration might be given on a case-by-case basis. Serving officers on their current tour would not be affected.

10. Mr Tommy CHEUNG welcomed the Administration's proposal to rationalize the current RA mechanism, and the proposed ECA arrangement. He considered that it was important to ensure that the value of the salary of the officers posted outside Hong Kong, when converted into local currency of

the country of posting, would not be eroded by any depreciation of the Hong Kong dollar. In response to Mr CHEUNG's enquiry, PSCIT advised that serving officers in the overseas ETOs were not required to pay salary tax in the countries of posting.

11. The Chairman concluded that the Panel supported in principle the proposed RA mechanism and the new arrangement for ECA.

V. Reports on the work of the Hong Kong Economic and Trade Offices and the Office of the Government of the HKSAR in Beijing

(LC Paper No. CB(1)2481/10-11(04) -- Administration's paper on reports on the work of the overseas Hong Kong Economic and Trade Offices provided by the Commerce and Economic Development Bureau

LC Paper No. CB(1)2481/10-11(05) -- Administration's paper on report on the work of HKSAR Government's Offices in the Mainland provided by the Constitutional and Mainland Affairs Bureau

LC Paper No. CB(1)2481/10-11(06) -- Paper on the work of the Hong Kong Economic and Trade Offices and the Office of the Government of the HKSAR in Beijing prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

12. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the work of the Hong Kong Economic and Trade Offices (ETOs), and the Office of the Government of the HKSAR in Beijing (BJO), as set out in the Administration's papers (LC Paper Nos. CB(1)2481/10-11(04)

and (05)).

13. On the development of the Doha Development Agenda (DDA) negotiations, Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization reported that WTO Members would further discuss how best to take forward the DDA before the eighth WTO Ministerial Conference scheduled for mid-December 2011. The Geneva ETO would continue to advance and defend the trade interests of Hong Kong in securing a successful outcome of the negotiations.

14. Commissioner for Economic and Trade Affairs, USA (C, USA) reported that the three ETOs in the United States (US) had put special focus on promoting Hong Kong's role as China's global financial centre with special emphasis on Renminbi business development and the advantages that could bring to US businesses. The message had generated much interest among interlocutors, especially those in the financial and trading sectors. Efforts had also been made to promote Hong Kong as a wine trading, storage and distribution hub in Asia.

15. Special Representative for Hong Kong Economic and Trade Affairs to the European Union reported that, apart from closely monitoring developments that had implications for Hong Kong's economic and trade interests, the ETOs in Europe had organized seminars and various kinds of publicity events to promote Hong Kong's bilateral economic and trade relations with the European countries. The relevant ETOs had also continued their efforts in promoting Hong Kong films in Europe and showcasing Hong Kong as an arts and cultural hub.

16. Director, Hong Kong Economic and Trade Affairs, Toronto reported that the Toronto ETO had continued to promote the business opportunities in Hong Kong, in particular Hong Kong's advantage and how Canadian companies could successfully use Hong Kong as a platform for the markets in Asia. The Toronto ETO had also continued to strengthen linkage between Hong Kong and Canada in the cultural and educational aspects to increase the profile of Hong Kong in Canada.

17. Director, Hong Kong Economic and Trade Affairs, Singapore reported that the Singapore ETO had continued to promote Hong Kong in the Association of South East Asian Nations region, highlighting Hong Kong's importance as China's global financial centre as well as new trade and investment opportunities arising from the Mainland and Hong Kong Closer Economic Partnership Arrangement and the development of the six priority industries.

18. Director, Beijing Office (Director, BJO) reported that the ETOs in the Mainland would focus their efforts in promoting the business development of Hong Kong enterprises in the Mainland while capturing the opportunities available relating to the National 12th Five-Year Plan.

Discussion

19. Mr Tommy CHEUNG and Mr Albert CHAN expressed appreciation of the efforts made by Mrs Catherine YUEN of the Toronto ETO in providing assistance to the delegation of the Subcommittee on Harbourfront Planning under the Panel on Development during its duty visit to Vancouver in April 2011.

20. In response to Mr Tommy CHEUNG's enquiry about the quantitative easing policy in the US, C, USA advised that the Washington ETO in the US had been keeping a close watch on the economic developments of the US. It had also maintained close contacts with the US Administration, including the Federal Reserve, with a view to gaining a better understanding of the US position. There was no sign of the implementation of the third round of quantitative easing policy in the US at the moment.

21. As regards Mr Tommy CHEUNG's concern about the safety of food products imported from Japan after the incident of radiation leakage at the Fukushima nuclear plant in Japan, Principal Hong Kong Economic and Trade Representative, Tokyo advised that according to the Japanese Government, stringent safety criteria and safeguarding measures were established to ensure the safety of vegetable, seafood and other foodstuffs placed in domestic markets and exported abroad from Japan. The Tokyo ETO had been keeping a close watch on the information on the test results of levels of radioactive contaminants in foods released daily by the Japanese authority, and had also relayed the relevant information to the HKSAR Government.

22. Noting that the economic and trade cooperation and ties between Hong Kong and the Mainland were getting closer, Dr LAM Tai-fai expressed concern about the financial and manpower resources allocated to BJO and the Mainland ETOs, and whether the Administration would set up more ETOs in the Mainland. He also opined that the Administration should step up its effort to promote economic and trade cooperation between Hong Kong and the western part of the Mainland.

23. In response, Deputy Secretary for Constitutional and Mainland Affairs 2 (DSCMA2) advised that the 2011-2012 financial provision for BJO and three Mainland ETOs was over \$120 million, and the resources for these Offices had been increasing over the years. The Administration would

review the financial and manpower resources allocated to these Offices as appropriate. He added that the Guangdong ETO had set up the Shenzhen Liaison Unit to strengthen cooperation between Hong Kong and Shenzhen. The Administration would take into account relevant factors including the future development in the Mainland and resources availability in assessing the need for more liaison units in the Mainland in the future.

24. Director, Hong Kong Economic and Trade Affairs, Chengdu supplemented that through participating in and organizing various types of economic and trade activities, searching for and disseminating updated information to Hong Kong enterprises, the Chengdu ETO would continue to support Hong Kong enterprises operating or intending to operate in the region under its purview. It would also continue to promote Hong Kong as the best investment destination for Mainland enterprises.

25. In response to Mr Vincent FANG's enquiry about the assistance provided to Hong Kong enterprises operating in the Mainland when they encountered problems regarding export to the US, PSCIT advised that the Administration would provide assistance to them as far as practicable. C, USA added that with the US and China being Hong Kong's two largest trading partners, the Washington ETO would continue to closely monitor the development of their economic and trade relations. Regarding trade issues which might have a direct impact on Hong Kong, the Washington ETO would continue to closely liaise with the US Administration, the Congress and the business community to explain Hong Kong's stance. Director, Hong Kong Economic and Trade Affairs, Guangdong supplemented that the Guangdong ETO would continue to actively assist Hong Kong enterprises in reflecting their common concerns to the relevant local government authorities and taking follow-up actions on issues such as labour policies, enterprises transformation and upgrading, expanding businesses in Mainland's domestic market, arrangements on exports of textiles products, as well as policies on product safety.

26. As regards the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, PSCIT agreed to refer Mr Vincent FANG's enquiry to the Inland Revenue Department for a written reply regarding the circumstances under which a Hong Kong resident working on the Mainland would be exempted from paying the Mainland tax, and how the number of days of "presence" on the Mainland or in Hong Kong was counted.

(*Post-meeting note:* The information provided by the Administration was circulated to members vide LC Paper No. CB(1)2779/10-11(01) on 20 July 2011.)

27. In response to Mr Albert CHAN's enquiry about the assistance provided to Hong Kong residents who were detained in custody, DSCMA2 advised that the Immigration Division of BJO and the Guangdong ETO handled enquiries on immigration-related matters and provided practical assistance to Hong Kong residents in distress in the Mainland, including those who were detained in custody.

28. Mr Albert CHAN asked about the investment promotion work of BJO and the Mainland ETOs. PSCIT advised that one of the major duties of BJO and the Mainland ETOs was to promote the positive image of Hong Kong, and Hong Kong as the ideal platform for Mainland enterprises to expand their businesses and to enter the global market. DSCMA2 supplemented that in the past three years, BJO and the Mainland ETOs had assisted about 150 Mainland enterprises to establish and invest in Hong Kong. Director, BJO advised that a team of staff from Invest Hong Kong dedicated to the investment promotion duties was deployed in BJO and the three Mainland ETOs respectively. Director, Hong Kong Economic and Trade Affairs, Guangdong advised that in the past 12 months, the Guangdong ETO conducted 319 meetings with Mainland enterprises, and provided advice and assistance to them for setting up a presence in Hong Kong. During this period, the Guangdong ETO generated 96 prospective projects and 33 live projects, and completed 17 projects. Mr Albert CHAN suggested that the Administration should set out in tabular form the number of requests for assistance from Hong Kong residents received by BJO and the Mainland ETOs, and the statistics regarding the investment promotion work of BJO and the Mainland ETOs for members' easy reference.

VI. Small and medium enterprises funding schemes

(LC Paper No. CB(1)2481/10-11(07) -- Administration's paper on small and medium enterprises funding schemes and impact of the Japan earthquake on Hong Kong enterprises

- LC Paper No. CB(1)2481/10-11(08) -- Paper on the support measures for small and medium enterprises prepared by the Legislative Council Secretariat (updated background brief)
- LC Paper No. CB(1)2223/10-11(01) -- Letter from Hon Vincent FANG Kang dated 13 April 2011
(*Chinese version only*)
- LC Paper No. CB(1)2481/10-11(09) -- Referral from the Subcommittee on Order made under Section 78B of the Public Health and Municipal Services Ordinance on the provision of financial assistance to the trades affected by the Daiichi nuclear power plant incident)

Presentation by the Administration

29. At the invitation of the Chairman, Director-General of Trade and Industry (DGTI) briefed members on the Administration's proposals to inject an additional \$1 billion into the Small and Medium Enterprise (SME) Export Marketing Fund and SME Development Fund (SDF), and to increase the total guarantee commitment under the SME Loan Guarantee Scheme from \$20 billion to \$30 billion. DGTI also informed members of the impact of the earthquake and the related nuclear incidents in Japan on Hong Kong businesses, particularly on SMEs, and the support measures taken by the Administration to help them tide over this difficult period, details of which were set out in the Administration's paper (LC Paper No. CB(1)2481/10-11(07)).

Discussion

30. Mr Vincent FANG noted that following the crisis in Japan in March 2011, certain manufacturing industries, e.g. watch, electronics, automobile, etc. that relied on import of raw materials and components from Japan might face disruption due to the uncertain supply situation in Japan. He enquired whether the Administration would re-introduce the Special Loan Guarantee Scheme (SpGS) to help enterprises secure loans from the banks with the

Government acting as the guarantor for up to 80% of the approved loans.

31. In response, Deputy Secretary for Commerce & Economic Development (Commerce & Industry)³ advised that the SpGS was a time-limited initiative introduced to tackle the credit crunch problem arising from the global financial crisis. The Administration noted that the crisis in Japan had no specific impact on the banks' willingness to provide financing to SMEs. In response to the concerns expressed by some sectors that they were facing financial / cash-flow problems, the Hong Kong Mortgage Corporation (HKMC), in consultation with the Commerce and Economic Development Bureau and Trade and Industry Department (TID), had announced on 30 May 2011 the introduction of a special arrangement under the SME Financing Guarantee Scheme (SFGS) to help local enterprises which were adversely affected by the crisis to tide over this difficult period. Eligible enterprises would receive a waiver of three months' guarantee fee for loans with tenor of three years or less and a waiver of six months' guarantee fee for loans with tenor of more than three years. The special arrangement had come into effect on 1 June 2011 and would last until 31 December 2011. This measure would provide timely relief for local enterprises adversely affected by the crisis in Japan. Mr Jeffrey LAM welcomed the introduction of the special arrangement under SFGS.

32. DGTI supplemented that to assist the affected manufacturing industries, the Administration had conveyed to the Japanese Government the industries' request for more information on the supply situation in Japan. Information provided by the Japanese Government had been disseminated to the affected industries in the first instance. According to the Japanese Government, the impact brought about by the incident in Japan was now stabilizing, and the manufacturing activities in Japan were resuming gradually. The Administration would continue to liaise with the Japanese Government and keep the affected industries informed of the latest situation.

33. The Chairman said that the Support and Consultation Centre for SMEs (SUCCESS) run by TID was offering a number of useful services to the SMEs. He urged the Administration to enhance, promote and publicize its service to facilitate the development of SMEs and to help them enhance their competitiveness.

34. In response, DGTI said that SUCCESS currently sent information on its services to a substantial number of SME subscribers. Assistant Director-General of Trade and Industry (Industries Support) added that SUCCESS offered a wide range of information and advisory services to SMEs. On consultation services, SUCCESS arranged SMEs encountering problems in running their businesses to meet with experts of various sectors

for professional consultation through its "Meet-the-Advisors" Business Advisory Service. SUCCESS also implemented a "SME Mentorship Programme" which provided an opportunity for SME entrepreneurs who were at their early stage of business to learn from and be guided by accomplished entrepreneurs, senior executives, and professionals through one-on-one free counselling. TID would continue to publicize the services of SUCCESS through various channels.

35. DGTI supplemented that the SDF supported non-profit-distributing organizations (such as industrial and trade organizations, professional bodies, research institutes, etc.) in carrying out projects to enhance the competitiveness of SMEs in general or in specific sectors. Examples of project include seminars, workshops, code of best practices, database, etc., which would provide useful information and advice to SMEs.

36. The Chairman concluded that the Panel supported in principle the Administration's proposals to inject additional funding into the SME funding schemes to sustain their continued operation.

VII. Annual progress report of Research and Development Centres

(LC Paper No. CB(1)2481/10-11(10) -- Administration's paper on progress report on Research and Development Centres for 2010-2011

LC Paper No. CB(1)2481/10-11(11) -- Paper on Research and Development Centres under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration and the Research and Development Centres

37. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the operation of the five Research and Development (R&D) Centres in 2010-2011, as set out in the Administration's paper (LC Paper No. CB(1)2481/10-11(10)).

38. Chief Executive Officer of the Nano and Advanced Materials Institute (NAMI) thanked members' support for the R&D Centres. He said that the

R&D Centres aimed to provide a focal point for industry-university collaboration in R&D. As regards NAMI, nanotechnology and advanced materials were upcoming areas with lots of applications in its focused market sectors, such as sustainable energy, display and solid state lighting, environmental technologies, building materials, and medical devices and healthcare materials.

39. Chief Executive Officer of the Hong Kong Applied Science and Technology Research Institute (ASTRI) briefed members on the progress of commercialization of some ASTRI projects, including the patent-protected "birdcage" housing structure that facilitated heat dissipation of light-emitting diode (LED) lamps, the first generation e-book MyID, the second generation e-book PAL, trial of LED lamp for corridor lighting application and intelligent sensing lighting control module by the Housing Department, and the trial run of LED street-lamps on a few public roads by the Highways Department. He added that ASTRI had signed an agreement with a company in Chengdu to co-develop high speed data processing integrated circuits modules which were planned to be deployed in the communication system of China's high speed rail in the coming few years.

Discussion

40. Mr Jeffrey LAM opined that the Administration and the R&D Centres should step up efforts in promoting commercialization of R&D results and technology transfer. He also considered that the Administration should endeavour to raise the industry's awareness of the role and work of the R&D Centres, and to increase the industry participation.

41. In response, CIT advised that since the textiles and apparel industry was very mature, the Hong Kong Research Institute of Textiles and Apparel (HKRITA) had made relatively slower progress in the commercialization of R&D results NAMI had performed the best amongst the five centres in terms of the level of industry contribution. It was conducting projects of great potential demand, probably due to the fact that nanotechnology and advanced materials were upcoming areas with lots of applications in its focused market sectors. The Administration had helped linking up the R&D Centres with Government departments and public bodies to explore opportunities of collaboration, and provided the necessary funding under ITF to cover the production of samples/prototypes and conducting of trial schemes by Government departments, public bodies and trade associations. It was hoped that this would facilitate realization of the R&D results by providing a "reference" (by public sector users) for the new technology as it found its way to the open market.

42. On promotion of use of R&D deliverables in the public sector, Deputy Commissioner for Innovation and Technology (DCIT) supplemented that ASTRI was working on a number of projects with Government departments/public bodies with good application potential. Six sample LED street-lamps had been installed at a Highways Department depot for trial. ASTRI had also provided the Housing Department with samples of LED lamps for corridor lighting for trial. The Automotive Parts and Accessory Systems R&D Centre (APAS) was now working with the Transport Department on a trial scheme to install the prototype of a traffic information display device on 18 green minibuses from selected routes.

43. CIT advised that the Innovation and Technology Commission (ITC) organized the InnoTech Month annually which featured a wide range of activities for the public and industry, including roadshows, exhibitions, seminars, innovation workshops, a large-scale carnival, etc. It aimed to promote an innovation and technology culture among the community and further develop a platform for innovation and technology exchange among the industry. She added that the Hong Kong Polytechnic University (PolyU) would organize the "Forum on Creating Synergy in Innovation and Technology — Shenzhen/Hong Kong Cooperation" on 8 July 2011, with the support of ITC and the Shenzhen authorities. The Forum aimed to promote "Shenzhen-Hong Kong Innovation Circle" as a hub for sustainable innovation and technology collaboration and a platform to venture into the Mainland for enhancing the region's growth and competitiveness.

44. CIT and DCIT supplemented that the previous vetting criteria of ITF focused mainly on the scientific/technical aspects, whereas the refined ITF assessment framework was broadened to include other factors including the existence of a holistic plan to realization/commercialization. For platform projects and collaborative projects applying for funding under ITF, the R&D Centres would help companies to complete the application process to offer assistance where necessary if they had difficulty.

45. Noting that there was a certain degree of duplication of work among APAS and the Hong Kong Productivity Council (HKPC), the Chairman opined that the duplication might create a complementary effect among different R&D institutions, thus benefitting the innovation and technology development and R&D in Hong Kong. The Chairman also considered that more resources should be allocated to the R&D Centres which had performed better, in particular NAMI.

46. In response, CIT advised that except for the R&D Centre for Information and Communications Technologies which formed part of ASTRI, the other four R&D Centres were set up as a subsidiary of its hosting

organization(s), namely APAS hosted by HKPC, HKRITA hosted by PolyU, the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies jointly hosted by the University of Hong Kong, the Chinese University of Hong Kong and Hong Kong University of Science and Technology (HKUST), and NAMI hosted by HKUST. One of the key issues to be looked at in the comprehensive review would be the institutional setup, including the relationship between the R&D Centres and the hosting organization(s), and whether there was any need for change. For instance in the case of APAS, its host organization was HKPC which provided administrative support to the Centre. On the other hand, HKPC also had an Automotive and Electronics Division (AED) which had some 60 staff size and undertook about 40% of APAS's projects in the past 5 years. In doing so, HKPC submitted R&D project proposals to APAS for vetting before seeking ITC's funding support. In this connection, the Chairman called on the Administration to rationalize the institutional setup of the R&D Centres where necessary to avoid hindrance to the development of the R&D Centres.

47. Chief Executive Officer, HKRITA advised that HKRITA had set up the Business Development Division in September 2010 to promote commercialization of project deliverables, and this had been gaining momentum. He added that following the expansion of the scope of ITF to provide R&D Centres with funding for the production of samples/prototypes and conducting trial schemes by Government departments, public bodies and trade associations, all the R&D Centres had been actively working on potential relevant trial schemes to promote the commercialization of various projects. Since the results of the trial schemes would not be readily available within a few months, he opined that it would be more suitable to present the comprehensive review on the R&D Centres at a later time bearing in mind also that the Finance Committee had approved funding for the R&D Centres operating budget for the three-year period 2011-2012 to 2013-2014.

48. Mr Vincent FANG and the Chairman called on the Administration to speed up the conducting of trial schemes of R&D deliverables by trade associations and the commercial sector, in particular the food waste processor and the radio frequency identification enabling technologies for retail industry.

49. Summing up, the Chairman concluded that R&D was vital to the overall economic development of Hong Kong. He opined that the R&D Centres had an important role in the innovation and technology development, and that more resources should be deployed to R&D.

VIII. Any other business

50. There being no other business, the meeting ended at 5:28 pm.

Council Business Division 1
Legislative Council Secretariat
6 October 2011