

立法會
Legislative Council

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 19 June 2012, at 2:30 pm
in Conference Room 2B of the Legislative Council Complex

Members present : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Fred LI Wah-ming, SBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, 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 Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Member attending : Hon WONG Kwok-hing, MH

Members absent : Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP

**Public officers
attending**

: Agenda item III

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Johann WONG
Deputy Commissioner for Innovation and
Technology

Mr Davey CHUNG
Assistant Commissioner for Innovation and
Technology

Agenda item IV

Mr Gregory SO, JP
Secretary for Commerce and Economic
Development

Mr David F L WONG
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry) 2

Mr Peter K F CHEUNG, JP
Director of Intellectual Property

Agenda Item V

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

Mrs Alice CHEUNG
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry) 3

Mr Joshua LAW, JP
Permanent Secretary for Constitutional and
Mainland Affairs

Mr Daniel CHENG, JP
Deputy Secretary for Constitutional and Mainland
Affairs 3

Ms Carol YUEN
Acting Director-General of Trade and Industry

Mr Johann WONG
Deputy Commissioner for Innovation and
Technology

**Attendance by
invitation** : Agenda Item III

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

Nano and Advanced Materials Institute

Dr Peter W LEE
Acting Chief Executive Officer

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

Mr Simon K Y WONG
Chief Executive Officer

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 : Ms May LEUNG
Legislative Assistant (1)3

Action

I. Information paper issued since last meeting

Members noted that no paper had been issued since the last meeting held on 15 May 2012.

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)2153/11-12(01) -- List of outstanding items for discussion

LC Paper No. CB(1)2153/11-12(02) -- List of follow-up actions)

Joint meeting on 28 June 2012

2. The Chairman reminded members that at the request of the House Committee, a joint meeting with the Panel on Economic Development would be held on Thursday, 28 June 2012 at 8:30 am to discuss the item "Issues relating to the hotel accommodation arrangements for the Chief Executive's duty visits outside Hong Kong".

Regular meeting in July 2012

3. The Chairman suggested and members agreed that the next regular Panel meeting originally scheduled for 17 July 2012 would be cancelled to avoid clashing with the anticipated continuation of the Council meeting on the same day.

III. Annual progress report of the Research and Development Centres

(LC Paper No. CB(1)2153/11-12(03) -- Administration's paper on progress report on Research and Development Centres for 2011-2012

LC Paper No. CB(1)2153/11-12(04) -- Paper on Research and Development Centres set up 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

4. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the operation of the Research and Development (R&D) Centers set up under the Innovation and Technology Fund (ITF) in 2011-2012, as set out in the Administration's paper (LC Paper No. CB(1)2153/11-12(03)). The Chief Executive Officer (CEO) of each R&D Centre also made a short video presentation on the work of the respective Centre, in particular the major progress of commercialization and realization of R&D results.

Discussion

Commercialization and realization of R&D results

5. Dr Samson TAM noted the various R&D projects and successful cases of commercialization and realization of the five R&D Centres. He hoped that the R&D results could help develop the local industries in the long run, bringing about economic benefits to Hong Kong and creating job opportunities for the local workforce. He enquired whether the Administration would collect the relevant data and assess the effectiveness of the R&D results.

6. In response, CIT advised that as the R&D Centres had become more established with more R&D projects completed, the Administration would expect these Centres to be more proactive in commercialization and technology transfers. Areas of assessment might include industry income from licensing fees, royalty payments and contract research, and the number of intellectual property licences granted to commercial entities, etc. Since the work of commercialization was still at a relatively early stage, the Administration had not set milestones of achievement for the R&D Centres at this point in time.

7. CEO, Hong Kong Applied Science and Technology Research Institute (ASTRI) supplemented that ASTRI had licensed its compact anti-shaking

technologies for camera phones to a company which offered a licence fee-cum-royalty income of US\$2 million. The company had set up factories in the Mainland to manufacture products using ASTRI's technologies. ASTRI had also attracted new start-ups to establish their R&D and marketing centres in Hong Kong. These new companies were actively recruiting young R&D engineers in Hong Kong.

8. Mrs Regina IP noted that Hong Kong was no longer a suitable location for mass manufacturing due to scarcity of land. She enquired about the direct economic contribution (in terms of value added) expected to be brought about by commercialization of R&D results. She also enquired how the Administration supported Hong Kong enterprises in developing their brands and patented products using local R&D results.

9. CIT responded that the Administration would continue to promote high value added manufacturing and servicing industries to enable Hong Kong's economy to move up the value chain. To capture the opportunities in high-tech industries in the longer run, the Administration would explore the feasibility of expanding the Yuen Long Industrial Estate. CIT added that commercialization of R&D results would also benefit many other business operations and professional services in Hong Kong, such as wholesale and distribution, sales and marketing, advertising, logistics, legal and financial services, etc.

10. CIT further advised that under the cluster project approach of the ITF assessment framework, the Administration encouraged ITF projects with associated/complementary technology development which would enhance the chance of commercialization. In late 2010, the Administration extended the funding scope of the ITF to cover production of prototypes/samples and conducting of trial schemes in the public sector. In the light of the good response, the Administration proposed to extend the initiative from just the R&D Centres to all R&D projects funded under the ITF and allow trial schemes to be conducted outside Hong Kong in the public sector of the economies concerned including the Mainland.

Development of electric vehicles and stem cell research

11. Mr CHIM Pui-chung enquired about the details of the Administration's support for the development of electric vehicles (EVs) and stem cell research in Hong Kong. CIT responded that the Environment Bureau had been actively promoting the development of EVs in Hong Kong through various means. The Automotive Parts and Accessory Systems R&D Centre (APAS) had undertaken R&D projects including the development of electronic control unit for power management platform of EV and fast

charging station with professional E-payment system, etc. CEO, APAS supplemented that one of the focus of APAS was to improve the battery technologies, so as to lower the cost and help promote the development of EVs.

12. CIT further advised that R&D funding in Hong Kong currently came from two main sources, with the ITF supporting applied R&D and the University Grants Committee with its Research Grants Council supporting upstream/foundation research, including stem cell research.

Industry contribution and publicity of R&D Centres

13. Dr LAM Tai-fai noted that the industry contribution of the Hong Kong Research Institute of Textiles and Apparel (HKRITA) had increased from 12.3% in 2010-2011 to 23.0% in 2011-2012. He enquired about the reason for the large increase.

14. Assistant Commissioner for Innovation and Technology advised that in 2010-2011, HKRITA commenced 10 new projects, which were all platform projects. In 2011-2012, HKRITA undertook 14 new projects, including 2 collaborative projects, hence resulting in an increase in the level of industry contribution. CEO, HKRITA supplemented that the performance of HKRITA had improved starting from 2011-2012. HKRITA Board of Directors were confident that HKRITA could maintain steady level of industry contribution of 18% to 20% in the coming years.

15. In response to the Chairman's enquiry, CIT advised that the enterprises which had been issued licenses for using the R&D deliverables were allowed to mention the name of the relevant R&D Centres on their commercial products, thereby helping to increase the publicity of the R&D Centres.

IV. Review of the patent system in Hong Kong

(LC Paper No. CB(1)2153/11-12(05) -- Administration's paper on review of the patent system in Hong Kong

LC Paper No. CB(1)2153/11-12(06) -- Paper on patent registration system in Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

16. At the invitation of the Chairman, Secretary for Commerce and Economic Development (SCED) and Director of Intellectual Property (DIP) briefed members on the views received from the public and relevant stakeholders in the public consultation on the review of the Hong Kong patent system, and the current state of the review, details of which were set out in the Administration's paper (LC Paper No. CB(1)2153/11-12(05)).

Discussion

17. Mr WONG Kwok-hing said that many local inventors had strongly requested the Administration to establish an "original grant" patent (OGP) system in Hong Kong to provide better protection for them. He opined that establishing an OGP system would encourage local innovation and creating added career opportunities for graduates with science and engineering background. Mr WONG enquired about the Administration's stance on the issue.

18. Mr Andrew LEUNG opined that establishing an OGP system would foster the development of innovation and technology in Hong Kong. He noted that an OGP system with in-house substantive examination would require significant investment in a team of qualified patent examiners (who had practical knowledge and experience in diversified and highly developed fields of technology) and a comprehensive technical database. Mr LEUNG suggested that the Administration should consider using the database of the State Intellectual Property Office (SIPO), or entrusting the substantive examination of patent applications to SIPO.

19. In response, SCED advised that the Administration had no preconceived notions as to whether Hong Kong should establish an OGP system or not. Views received during the consultation exercise on the case for or against having an OGP system were very diverse. The Administration had formed an Advisory Committee comprising legal professionals, patent practitioners, members of the academia, research and development and industrial sectors, as well as a number of officials from the relevant government agencies. The Advisory Committee had been examining the public views received, while largely focusing its attention on the issue of whether an OGP system should be introduced in Hong Kong, and had yet to conclude its deliberation. The Administration was in the process of gathering more information on possible options, including outsourcing possibilities, taking into account arrangements in other places, with a view to reverting to the Advisory Committee to facilitate its further deliberations. In this regard, the Administration had initiated dialogue with SIPO to explore

outsourcing possibilities. The Administration would continue to work with the Advisory Committee, with a view to enabling it to tender advice to the Administration early. The Administration aimed to decide on the way forward by the end of 2012.

20. Mrs Regina IP had reservation as to whether there would be sufficient demand for supporting a cost-effective OGP system. She considered that the current "re-registration" system for standard patents should be maintained, while the list of designated patent offices should be expanded to include the patent offices of other jurisdictions, such as the United States and Japan. Mrs IP noted that the Hong Kong Patents Registry (HKPR) was not a receiving office for international applications under the Patent Co-operation Treaty (PCT). She enquired whether HKPR could be designated as a "satellite receiving office" of SIPO for international applications in English under PCT.

21. DIP responded that PCT was an international patent registration system administered by the World Intellectual Property Organization. Membership of PCT was confined to sovereign states. The People's Republic of China was one of the contracting states of PCT. DIP advised that whether HKPR could be designated as a "satellite receiving office" would be determined by the policy of the Central People's Government.

V. Trade relations between the Mainland and Hong Kong

(LC Paper No. CB(1)2153/11-12(07) -- Administration's paper on trade relations between the Mainland and Hong Kong

LC Paper No. CB(1)2153/11-12(08) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

22. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the latest developments of the trade relations between the Mainland and Hong Kong, as set out in the Administration's paper (LC Paper No. CB(1)2153/11-12(07)).

Discussion

Assistance to cross-border workers and Hong Kong enterprises

23. Mr Andrew LEUNG enquired whether the next-term Government would consider relaxing the 183-day requirement under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region (HKSAR) for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income", and introducing special tax provisions for cross-border workers in Guangdong and Hong Kong, so as to alleviate their tax burden and enhance the incentive for the working population in the two places to work across the border.

24. Echoing Mr Andrew LEUNG's view, Dr LAM Tai-fai urged the next-term Government to assist Hong Kong enterprises engaged in processing trade in the Mainland in upgrading and restructuring, and to take forward the implementation of the measures announced under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). Dr LAM enquired whether the next-term Government would liaise with the Mainland authorities to streamline the vetting and approval procedures for starting up businesses in the Mainland by Hong Kong enterprises. Sharing a similar concern, Mr Jeffrey LAM called on the Administration to strengthen the promotion and effective implementation of CEPA.

25. In response, Permanent Secretary for Constitutional and Mainland Affairs advised that the HKSAR Government had been actively pursuing regional co-operation with Guangdong (including the two key co-operation areas, namely, Qianhai and Nansha), Shenzhen, Shanghai and Beijing. The HKSAR Government would also consider strengthening the role and functions of the Beijing Office and the Economic and Trade Offices in the Mainland so as to further enhance the economic and trade relations between the Mainland and Hong Kong.

26. PSCIT responded that to further assist Hong Kong enterprises in increasing their competitiveness in the Mainland market, the Administration would set up a five-year \$1 billion dedicated fund to assist Hong Kong enterprises in exploring and developing the Mainland market through developing brands, upgrading and restructuring operations and promoting domestic sales in the Mainland. The fund would be launched before end of June 2012. The HKSAR Government noted that the Mainland authorities had introduced measures to streamline the vetting and approval procedures for starting up businesses in the Mainland by Hong Kong enterprises in recent years. The HKSAR Government would continue to monitor the Mainland economic and trade policies and keep the trade informed of the

latest information, and would also maintain close contacts with the relevant Mainland authorities to reflect and follow up with them the views and suggestions of Hong Kong enterprises on Mainland policies affecting them.

27. PSCIT further advised that the HKSAR Government would, in response to the needs of the trade, further seek to expand the liberalization of trade in services and the scope of co-operation through CEPA, with a view to promoting integration and sustainable development of the two economies. The HKSAR Government would also continue to maintain close liaison with the trade in order to understand their concerns, and actively follow up on problems encountered by the trade in using CEPA benefits.

Creative industries and financial services sector

28. Dr LAM Tai-fai expressed concern about the promotion of Mainland animation and comics in Hong Kong. PSCIT and Deputy Commissioner for Innovation and Technology responded that the National Five-Year Plan emphasized the support of the Central People's Government for Hong Kong in developing the six industries where Hong Kong enjoyed clear advantages, including the creative industries. CEPA had facilitated the access of Hong Kong's creative industries to the Mainland market. Create Hong Kong (Create HK) had been committed to assisting local creative sectors in exploring the Mainland market, and would continue to work with the trade to strengthen the co-operation of creative industries between the Mainland and Hong Kong, promote exchange and create more business opportunities.

29. In response to Mr CHIM Pui-chung's enquiry about the liberalization measures under CEPA in the financial services sector, PSCIT and Acting Director-General of Trade and Industry advised that under Supplement VIII to CEPA, Mainland-incorporated banking institutions established by a Hong Kong banks were allowed to engage in the sale and distribution of mutual funds. Hong Kong insurance brokerage companies were allowed to set up wholly-owned insurance agency companies in Guangdong Province (including Shenzhen) on a pilot basis. Besides, under Supplement IX to CEPA, qualified Hong Kong securities companies and Mainland securities companies were allowed to set up equity joint venture securities investment advisory companies in the Mainland.

VI. Any other business

30. The Chairman said that this was the last Panel meeting of this term of the Legislative Council and he thanked members and the Administration for their support and contributions in the past meetings.

31. There being no other business, the meeting ended at 4:25 pm.

Council Business Division 1
Legislative Council Secretariat
27 August 2012