

立法會
Legislative Council

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by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 18 June 2013, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

- Members present** : Dr Hon CHIANG Lai-wan, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, JP
Hon SIN Chung-kai, SBS, JP
Hon Martin LIAO Cheung-kong, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
- Members absent** : Hon Vincent FANG Kang, SBS, JP (Chairman)
Hon Steven HO Chun-yin

**Public officers
attending**

: Agenda item IV

Commerce and Economic Development Bureau

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

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

Mr Johann WONG
Deputy Commissioner for Innovation and
Technology

Constitutional and Mainland Affairs Bureau

Ms CHANG King-yiu, JP
Permanent Secretary for Constitutional and
Mainland Affairs

Mr Daniel CHENG Chung-wai, JP
Deputy Secretary for Constitutional and Mainland
Affairs (3)

Agenda item V

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Johann WONG
Deputy Commissioner for Innovation and
Technology

Mr Frank TSANG
Assistant Commissioner for Innovation and
Technology (Funding Schemes)

Attendance by invitation

: Agenda Item V

Hong Kong Applied Science and Technology Research Institute

Dr CHEUNG Nim-kwan
Chief Executive Officer

Hong Kong Research Institute of Textiles and Apparel

Mr Edwin KEH
Chief Executive Officer

Nano and Advanced Materials Institute

Professor NG Ka-ming
Chief Executive Officer

Automotive Parts and Accessory Systems R&D Centre

Mr Joseph POON Wing-sang
Acting General Manager

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

Mr Simon WONG Kwong-yeung
Chief Executive Officer

Clerk in attendance : Ms Annette LAM
Chief Council Secretary (1)3

Staff in attendance : Miss Rita YUNG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

The Deputy Chairman took over the chair in the absence of the Chairman who was unable to attend the meeting.

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1280/12-13 -- Minutes of meeting held on 16 April 2013)

2. The minutes of the meeting held on 16 April 2013 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)1267/12-13(01) -- Administration's response to Hon Emily LAU Wai-hing's letter dated 16 May 2013 as set out in LC Paper No. CB(1)1064/12-13(02)

LC Paper No. CB(1)1309/12-13(01) Administration's paper on United Nations Sanctions (Iran) (Amendment) Regulation 2013)

3. Members noted that the above papers had been issued since last meeting held on 21 May 2013.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1282/12-13(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1282/12-13(02) -- List of follow-up actions)

4. Members noted that the Administration had not yet proposed any items for discussion at the next Panel meeting scheduled for 16 July 2013 at 2:30 pm.

5. Mr CHUNG Kwok-pan suggested to revisit at the July meeting the item of "Trade relations between the Mainland and Hong Kong" following discussion at this meeting. Members agreed that more time should be allowed for discussion on this item.

6. Mr Martin LIAO suggested the Administration to brief the Panel at the July meeting on the Administration's efforts to complement the Central People's Government (CPG)'s policy of basically achieving full liberalization of trade in services to Hong Kong under the Mainland and Hong Kong Closer Economic Partnership Arrangement by the end of the National 12th Five-Year Plan period. Members noted that the Government of the Hong Kong Special Administrative Region was in negotiation with the CPG in this respect, and would update the Panel on the latest developments as and when there were significant developments.

(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, an item "Public consultation on treatment of parody under the copyright regime" was included in the agenda for the July meeting.)

IV. Trade relations between the Mainland and Hong Kong

(LC Paper No. CB(1)1282/12-13(03) -- Administration's paper on economic and trade relations between the Mainland and Hong Kong

LC Paper No. CB(1)1282/12-13(04) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

7. At the invitation of the Deputy Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) and Permanent Secretary for Constitutional and Mainland Affairs (PSCMA) briefed members on the latest developments in economic and trade relations between the Mainland and Hong Kong, covering a wide range of areas including the Mainland and Hong Kong Closer Economic Partnership Arrangement; the restructuring and upgrading and the development of domestic sales of Hong Kong enterprises in the Mainland; promotion of investment; customs clearance of goods; innovation and technology and e-business; intellectual property rights; creative industries; and tourism, etc. PSCMA highlighted that the key areas of work for the Constitutional and Mainland Affairs Bureau in the coming year were to implement a series of new initiatives in the 2013 Policy Address including enhancing the functions

of the offices of the Government of the Hong Kong Special Administrative Region in the Mainland (the Mainland Offices) and setting up a new Economic and Trade Office in Wuhan. Details of the latest developments were set out in the Administration's paper (LC Paper No. CB(1)1282/12-13(03)).

Discussion

Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

8. Noting that the Mainland and Taiwan had signed the Cross-Straits Economic Co-operation Framework Agreement (ECFA), Mr SIN Chung-kai asked how the liberalization measures for Taiwan under ECFA compared with those for Hong Kong under CEPA.

9. PSCIT responded that the ECFA signed in June 2010 provided for tariff concession for trade in goods as well as services liberalization for trade in services. The Mainland and Taiwan were in the process of concluding a new services agreement under ECFA. The Government of the Hong Kong Special Administrative Region (HKSARG) would keep in view the latest development of ECFA. PSCIT added that the Mainland authorities had reassured that CEPA would remain the most preferential free trade agreement signed by the Mainland. Taking into account the needs of the Hong Kong's business sectors, the HKSARG would strive to incorporate any CEPA-plus measures in ECFA as well as further liberalization of trade in services in CEPA. The Administration would update members on CEPA-plus measures in ECFA and any significant developments in CEPA in due course.

10. Dr LAM Tai-fai enquired about the progress of work of the Joint Working Group established to enhance the existing mechanism for implementation of CEPA as announced in the 2013 Policy Address. He also enquired about the division of work between the Joint Working Group and the Steering Committee on Co-operation with the Mainland chaired by the Chief Secretary for Administration (CS).

11. In response, PSCIT advised that the Joint Working Group was led, on the Mainland side, by the Department of Taiwan, Hong Kong and Macao Affairs of the Ministry of Commerce, which would invite relevant central ministries and municipal governments to take part in meetings. The Trade and Industry Department was the co-ordinating department on the Hong Kong side and relevant HKSARG departments were invited to join meetings as necessary. The Joint Working Group was targeted at sectors that had encountered relatively more implementation problems in individual provinces

and municipalities. PSCIT further advised that the Joint Working Group held its first meeting on 18 June 2013, focusing on CEPA implementation issues in Guangdong. As relatively more CEPA's early and pilot liberalization measures had been launched in Guangdong than in any other provinces, the effective implementation of CEPA in Guangdong would set a good example for other parts of the Mainland. Relevant HKSARG bureaux and departments would maintain close liaison and follow up with their Mainland counterparts after the meeting, as well as liaise closely with the trade in Hong Kong, explaining to them the follow-up actions and outcomes.

12. PSCMA advised that the Steering Committee on Co-operation with the Mainland chaired by CS was responsible for providing steer on matters relating to co-operation with the Mainland, including implementation of the Mainland-related initiatives under the 2013 Policy Address, regional co-operation with relevant provinces/municipalities, implementation of the relevant supporting measures under the National 12th Five-Year Plan and work to complement the preparation of the National 13th Five-Year Plan under the "One Country, Two Systems" principle.

Assisting Hong Kong enterprises in restructuring and upgrading their business and exploring domestic sales in the Mainland

13. Mr WONG Ting-kwong urged the Administration to set up show-and-sales centres in major Mainland provinces/cities through quasi-government organizations (e.g. the Hong Kong Trade Development Council (HKTDC)) to provide promotion and sales outlets for Hong Kong products on a long-term basis. He considered that these centres could facilitate small and medium enterprises (SMEs) in Hong Kong to explore the domestic market as one-stop-services would be provided to help SMEs liaise with the Mainland authorities to resolve their problem regarding taxation and meeting commerce-related procedures. Echoing Mr WONG Ting-kwong's views, Mr CHUNG Kwok-pan remarked that the Chief Executive had pledged in his Election Manifesto to set up permanent exhibition venues in major Mainland cities for Hong Kong product display. Mr Jeffrey LAM pointed out that accurate market information was a critical success factor for SMEs to explore and develop the Mainland market. He called on the Administration to step up the provision of market information to Hong Kong enterprises, particularly information on second-tier and third-tier cities in the Mainland.

14. PSCIT responded that while the Administration supported Hong Kong trade associations in establishing sales and promotion venues in the Mainland for building the Hong Kong brand, the Administration had reservations about setting up show-and-sales centres by HKSARG in the Mainland. The

Mainland Offices had collaborated with trade associations and other organizations to organize "Hong Kong Week" in the Mainland to promote Hong Kong products and services. To offer additional platforms for Hong Kong enterprises, especially SMEs, to showcase their products and to enhance awareness of Hong Kong brands in the Mainland, the HKTDC would set up more Design Gallery shops and "shops-in-shop" located in department stores in Mainland cities. Upon members' request, PSCIT undertook to provide information on the locations of the Design Gallery shops and "shops-in-shop" already in operation and those being set up, and also information on the participating Hong Kong enterprises, as well as how Hong Kong enterprises could obtain information on and join in the Design Gallery shops and "shop-in-shop".

Promotion of investment

15. Mr Jeffrey LAM said that he had met up with many United States (US) businessmen at an HKTDC trade promotion event held in the US the week before, and was pleased to note the immense interest of US enterprises in exploring the business opportunities in the Mainland and Asia markets. Mr LAM called on the Administration to step up the efforts in promoting Hong Kong's position as the gateway to Asia, particularly to the Mainland.

16. In response, PSCIT advised that the HKTDC trade promotion event "Think Asia, Think Hong Kong" held recently in the US comprised a trade symposium and a series of business seminars and business-matching meetings that highlighted Hong Kong advantage for US companies seeking business opportunities in Asia, particularly the Mainland. PSCIT further advised that Invest Hong Kong (InvestHK) also strived to promote Hong Kong's unique position as a springboard to the Mainland market. Another focus of InvestHK was to assist overseas companies to tap the opportunities in the Mainland and across Asia by setting up offices or expanding their business operations in Hong Kong.

Cultural and creative industries

17. Mr MA Fung-kwok called on the Administration to strive for further liberalization under CEPA to improve the access of Hong Kong's cultural and creative industries, such as the movie industry, publishing, and performing arts groups, to the Mainland market. Mr MA called on the Mainland Offices to step up their efforts in promoting Hong Kong's cultural achievements with a view to strengthening co-operation of the cultural and creative industries between the Mainland and Hong Kong, promoting exchanges, and creating more business opportunities.

18. PSCIT responded that the Administration had taken note of the industry's call for further liberalization measures under CEPA. HKSARG would continue to communicate with the Mainland authorities to further the liberalization in various service sectors under CEPA. The Commerce and Economic Development Bureau was responsible for overseeing the efforts in furthering market liberalization under CEPA and would consult the Home Affairs Bureau on liberalization measures in arts and cultural sectors. PSCMA said that the Mainland Offices had been actively promoting Hong Kong's arts and culture in the Mainland through organizing or sponsoring a range of cultural activities, such as film festivals, concerts, performances, exhibitions, etc. The Mainland Offices would continue to step up efforts in this respect.

Tourism

19. Mr WONG Ting-kwong pointed out that the tourism boom, in particular the surge in the number of Mainland visitors to Hong Kong, had put pressure on Hong Kong in various aspects. Mr WONG enquired about the progress and result of the Administration's assessment on Hong Kong's overall capacity to receive tourists. PSCIT responded that the Administration's internal assessment on Hong Kong's overall capacity to receive tourists was still in the progress. The Administration would continue to monitor the number of tourist arrivals in Hong Kong and report the findings of the assessment to the Legislative Council in due course.

Development in Qianhai

20. Referring to the suggestion and recommendation of The Law Society of Hong Kong in its "Study Report on the Development of the Legal Profession in Qianhai" issued in November 2012, Mr Dennis KWOK called on the Administration to strive for the application of Hong Kong law in respect of commercial contracts in Qianhai, including the setting up of a special tribunal adopting Hong Kong law to deal with commercial disputes. Mr KWOK said that the application of Hong Kong law in Qianhai would facilitate Hong Kong business sectors to invest in Qianhai, as well as provide development opportunities for the Hong Kong legal services in Qianhai.

21. In response, PSCMA advised that the suggestion involved complicated legal and policy considerations. This notwithstanding, the State Council announced the Overall Development Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area (the Plan) in August 2010, designating Qianhai as a Hong Kong/Guangdong modern service industry innovation and co-operation exemplary zone. The Plan provided that the Shenzhen Special Economic Zone might fully utilize

the legislative power conferred by the Standing Committee of the National People's Congress to implement pilot measures and innovative regimes, with a view to creating a favourable legal environment for opening up and developing the service industries. The HKSARG would actively complement the Shenzhen authorities' efforts to lobby for other favourable policies to be implemented in Qianhai.

Cargo flow between Shenzhen and Hong Kong

22. Mr Martin LIAO and Mr CHUNG Kwok-pan noted with concern recent media reports on "bogus trade of goods" between Shenzhen and Hong Kong by Mainland and Hong Kong enterprises, involving repeated trucking of the same load of goods between Shenzhen and Hong Kong within the same day, thus creating "bogus" value of merchandise trade between the two places to facilitate the application of credit facilities from banks. Mr LIAO enquired whether the Administration would evaluate the impact of such activities on Hong Kong's banking and financial system and how it could distort the compilation of statistics on merchandise trade and inward direct investment between Shenzhen and Hong Kong.

23. PSCIT advised that the Customs and Excise Department attached great importance to the protection and facilitation of legitimate trade and to the integrity of Hong Kong's status as a trading hub. Risk management was employed on the selection of cargo for examination to ensure customs intervention at control points was kept to the necessary minimum. Regarding "bogus trade", PSCIT responded that generally speaking such transport of goods in and out of Hong Kong was itself not illegal insofar as customs clearance was concerned, provided that accurate and complete import/export declarations were lodged. PSCIT further advised that statistics on merchandise trade and inward direct investment between Shenzhen and Hong Kong were compiled in accordance with international practice. The Administration undertook to provide a written response to address members' concern.

Admin

V. Progress report on Research and Development Centres 2012-2013
(LC Paper No. CB(1)1282/12-13(05) -- Administration's paper on progress report on Research and Development Centres 2012-13

LC Paper No. CB(1)1282/12-13(06) -- Paper on Research and Development Centres set up under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (background brief)

Presentation by the Administration and the Research and Development Centres

24. Members were shown a 25-minute video presentation featuring the work of the five Research and Development (R&D) Centres set up under the Innovation and Technology Fund (ITF), including the major progress of realization/commercialization of their R&D projects. Details of the overall performance and operation of the five R&D Centres, including key activities of each Centre in 2012-2013, statistics and progress of realization/commercialization, were set out in the Administration's paper (LC Paper No. CB(1)1282/12-13(05)).

Discussion

25. Mr CHUNG Kwok-pan declared that he was a former member of the Board of Directors of the Hong Kong Research Institute of Textiles and Apparel (HKRITA). Ir Dr LO Wai-ki declared that he was a member of the Board of Directors of the Nano and Advanced Materials Institute (NAMI).

26. Mr Charles MOK said that the Administration should provide a copy of the video presentation to members in advance, rather than playing it at the meeting, so that more meeting time could be used for discussion by members.

Overall performance of the R&D Centres

27. Mr SIN Chung-kai noted that all R&D Centres had recorded considerable improvements in the level of industry contribution in 2012-2013, which showed increasing support and recognition of the value of their work from the industry. Mr SIN called on the Administration to continue to monitor the R&D Centres' performance and suggested that in addition to reviewing the performance and operation of the existing five R&D Centres for the purpose of deciding whether to support their further operation or not, the Administration should also explore the need for setting up new R&D Centres in other focus areas.

28. In response, Commissioner for Innovation and Technology (CIT) advised that the Administration had conducted in 2011 a comprehensive review on the operation and overall performance of the five R&D Centres in their first five years of operation up to 31 March 2011, taking account of their experience in technology transfer and commercialization. For NAMI and the Automotive Parts and Accessory Systems R&D Centre (APAS) which had met the interim industry contribution target of 15% in their first five-year period, their operation period was extended until 31 March 2017 following the Finance Committee (FC)'s approval on 11 May 2012. For HKRITA and the R&D Centre for Logistics and Supply Chain Management Enabling Technologies (LSCM), which had not achieved an industry contribution of 15% in the first five years, their operation period was extended to 31 March 2015 only. CIT said that the performance of both HKRITA and LSCM had shown steady improvements, and the two Centres had achieved the industry contribution target of 18% in the two-year observation period from April 2011 to March 2013, undertaken more R&D projects and realization/commercialization of R&D results in the past two years. Subject to their sustaining satisfactory performance, the Administration would consult the Panel again with a view to making a firm recommendation to support and sustain their further operation.

29. Mr Charles MOK suggested that each of the R&D Centres should conduct an analysis on their strengths, weaknesses, opportunities and challenges, so as to facilitate a better assessment of their performance and to provide a basis for formulating improvement measures as necessary. Mr MOK said that the results of the analyses should be included in the annual progress report of the R&D Centres to the Panel in the future, in addition to the operation statistics and progress of realization/commercialization of the R&D projects. Sharing a similar view, Mr WONG Ting-kwong invited the representatives of the R&D Centres to share with the Panel the difficulties encountered in the operation and development of the R&D Centres.

30. Acting General Manager, APAS and Chief Executive Officer, NAMI pointed out that they had been working hard to strike a balance between conducting more collaborative projects that required a higher level of industry contribution (at least 30%) and collecting more commercialization income. Chief Executive Officer, NAMI said that while conducting more collaborative projects would help NAMI achieve a better overall industry contribution, the commercialization income such as licensing or royalty income generated from such projects would be relatively limited since the industry partner(s) already owned or had obtained exclusive right to use the intellectual property (IP) derived from these projects. Chief Executive Officer, NAMI advised that NAMI planned to conduct more platform projects so that NAMI would own the project IP from which in due time

could generate more commercialization income through licensing the R&D results of the projects to the industry.

31. Mr WONG Ting-kwong was pleased to note the progress made by all R&D Centres in achieving industry contribution target and in commercialization of R&D results. He considered enhancing R&D and innovation capability a long-term investment for which the level of industry contribution or the commercialization income in the short term should not be taken as the sole performance indicator for the R&D Centres. Sharing a similar view, Mr Charles MOK suggested the R&D Centres to include in their annual reports to the Panel information on the social and economic benefits brought about to the community by their R&D results, so as to enhance public's understanding of the effectiveness and value of R&D to the society. CIT took note of Mr WONG's and Mr MOK's views.

32. Responding to the Deputy Chairman's enquiry, CIT provided the locations of the five R&D Centres as follows:

<u>R&D Centre</u>	<u>Location</u>
APAS	Hong Kong Productivity Council Building, Kowloon Tong
R&D Centre for Information and Communications Technologies under the Hong Kong Applied Science and Technology Research Institute (ASTRI)	Hong Kong Science Park
HKRITA	The Hong Kong Polytechnic University
LSCM	Cyberport
NAMI	Hong Kong Science Park and The Hong Kong University of Science and Technology

Progress of commercialization of R&D results

33. In response to Mr CHUNG Kwok-pan's concern about the progress of and income from commercialization of R&D results of the R&D Centres, CIT highlighted that comparing with the other four R&D Centres, ASTRI had been in operation for a longer period and therefore had conducted more projects and made relatively better progress in commercialization and licensing technologies to the industry. HKRITA had also made significant improvements in commercialization. CIT added that commercialization activities of the other R&D Centres were expected to gradually increase as they gradually built up their research capabilities and as more efforts were put into technology transfer to the industry.

34. Chief Executive Officer, LSCM advised that the number of new ITF projects initiated by LSCM had been significantly increased from 5 projects in 2011-2012 to 13 projects in 2012-2013. Both the total project cost funded by ITF and the amount of industry contribution received had also increased significantly. LSCM had expanded its commitment to facilitate the effective transfer of its technologies to the private sector. In 2012-2013, LSCM had spearheaded new technology initiatives to realize/commercialize its R&D results in collaboration with the public sector and various industry sectors such as the logistics, retail, construction, private hospital sectors and others. Key examples included the "E-Lock-Based Enabling Technology for Container Cargo Trans-shipment Process" for the Hong Kong Customs and Excise Department and the logistics sector, the "Product Authentication at Retail Points" for the retail sector, and the radio frequency identification system (RFID) technology.

35. Acting General Manager, APAS pointed out that APAS had continued to dedicate efforts to commercialization of its R&D results. Various licensing agreements had been signed with local companies for adopting APAS's R&D results such as the "Long Vehicle Wireless Backup Monitor System", "Automotive headlamp system for light-emitting diode light source", as well as a piston ring manufacture process technique which would greatly enhance the surface hardness and scratch resistance of watches. He added that APAS's future goal was to offer end-to-end R&D services to the industry, and would stay focused with market-led R&D, strengthen partnership with small and medium enterprises (SMEs) and commercialize R&D results. APAS would also conduct more forward-looking and exploratory seed projects to provide foundation work for future platform or collaborative projects.

36. Chief Executive Officer, NAMI advised that in 2012-2013, NAMI had received \$0.35 million from licensing arrangements for five projects. Royalty income was expected to come on stream over the next 2 to 3 years when the licensees' products incorporating the relevant technologies were launched in the market. NAMI had also identified several projects with high potential and would accord priority for commercialization in the coming year.

37. Chief Executive Officer, HKRITA highlighted that two projects jointly undertaken by HKRITA and the Hong Kong Polytechnic University, namely the "Fast Fabric Hand Measurement Technology" and "Imaging Colour Measurement System", were awarded for their innovation in the 41st International Exhibition of Inventions of Geneva in April 2013. These two technologies were showcased in a textiles exhibition in Shanghai in June 2013 and were well received by the industry. HKRITA had also engaged in several projects which benefited the community. A key example was the "performance sportswear" project designed for the elite athletics of the Hong Kong Sports Institute, in particular the Hong Kong cycling athletes participating in the 2012 London Olympic Games. Another case in point was an outerwear embedded with the RFID system (developed in collaboration with LSCM and ASTRI) to provide better tracking of the elderly in the community care centres, particularly those with Alzheimer's disease. Chief Executive Officer, HKRITA added that taking into account the feedback from the industry and stakeholders, HKRITA would place a stronger focus on delivering solutions for reducing labour and material costs in the industry.

38. Chief Executive Officer, ASTRI advised that in 2012-2013, ASTRI had received a record high industry contribution of \$68 million, including \$46.1 million of industry support for R&D projects and \$21.9 million of additional licensing, royalty and contract service income. Over the years, ASTRI's projects had been granted more than 360 patents and over 700 had been filed. During the past two years, three companies were either spun off from ASTRI or set up by the licensee companies of ASTRI's projects, providing high value added job opportunities for Hong Kong R&D talents.

Comprehensive review of the ITF

39. Mr WONG Ting-kwong noted with concern that while the commercialization activities of the R&D Centres had been gaining momentum, local SMEs could not share the benefits of the projects as substantial financial investment might be required for participation in the projects.

40. CIT acknowledged that one comment on the present government funding support for private sector R&D was that the ITF focused too much on supporting the industry through the designated local research institutions, i.e. mainly the universities and R&D Centres. At present, support for private companies' in-house research was only through the Small Entrepreneur Research Assistance Programme, which had its limitations, e.g. the industry regarded the terms not attractive enough, and the scope a bit too narrow. CIT advised that the Administration would conduct a comprehensive review of the ITF to explore areas of improvements. Support for private sector R&D would be one of the key areas covered in the review.

41. Mr Charles MOK noted with concern that the industry was not very keen on collaborating with the R&D Centres in conducting R&D projects. He said that some stakeholders had reflected to him that the existing funding arrangements under the ITF were too restrictive in confining its scope to collaborative projects with universities and the R&D Centres. The project vetting requirements and procedures were too complex and cumbersome to facilitate worthy projects to be undertaken quickly, and the Administration had not provided sufficient incentives (such as tax concessions) to motivate the industry to invest in applied R&D. Mr MOK called on the Administration to review the policy framework, in particular the ITF mechanism, so as to further the development of innovation and technology, as well as to promote commercialization of R&D results.

42. CIT responded that the ITF had been in operation for nearly 15 years and the Administration considered it opportune to conduct a comprehensive review and explore areas of improvements. The Administration would take a critical look at the long-term funding arrangements for R&D projects and for the R&D Centres. Key areas to be covered in the review included the funding scope, support for private sector R&D, arrangements for IPs generated from the projects, as well as the evaluation mechanism. CIT added that while taking note of the industry's views and the need to motivate more private sector enterprises to participate in conducting R&D projects, there was also a need to ensure accountability and proper use of public funds. The Administration would strive to achieve a good balance in this respect.

43. Mr Charles MOK, Mr SIN Chung-kai and Mr CHUNG Kwok-pan welcomed the comprehensive review on the ITF. CIT further advised that the Administration would consult the Panel on the review and way forward in due course.

44. In response to the Deputy Chairman's enquiry about the financial commitment of the ITF, CIT advised that the ITF was set up in 1999 with an initial capital of \$5 billion. Up to end March 2013, the fund had already supported over 3 250 projects at a total commitment of about \$7.4 billion. Taking into account the funding approved by FC for the operation of the R&D Centres, and depending on the quantity and expenditure levels of projects to be approved in the coming few years, the uncommitted ITF balance of around \$1.3 billion was expected to be fully committed around 2015-2016. The Administration would monitor the position and consult the Panel on application for additional funding from FC in good time to ensure continued support for the development of innovation and technology in Hong Kong.

VI. Any other business

45. There being no other business, the meeting ended at 4:48 pm.

Council Business Division 1
Legislative Council Secretariat
22 August 2013