

Legislative Council Panel on Commerce and Industry

2013 Policy Address Policy Initiatives of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau

Our Vision

To encourage industries to expand and thrive and to provide better employment opportunities, we need to diversify our economy and achieve sustainable growth. Hong Kong is one of the freest economies in the world. While respecting the functions of a market economy, the Government should be appropriately proactive, and take a more positive role to facilitate the long term economic development of Hong Kong. In relation to innovation and technology, the Government will focus on the development of the highly competitive sectors of the industries in the light of Hong Kong's strengths. We will provide software and hardware support, foster co-operation among the Government, industry, academia and research sectors, forge closer collaboration with the Mainland, and inject additional resources where necessary. All this will help create an environment conducive to the commercialisation of research and development results, which will in turn give impetus to the development of the industries.

Part I : Commerce, Industry and Tourism Branch

New Initiatives

Draw up an overall industry policy with a view to creating jobs and improving people's livelihood.

2. We will continue to promote Hong Kong's existing industries and also explore new advantages and develop new strengths. We will draw up an overall industry policy with a view to creating jobs and improving people's livelihood. As announced by the Chief Executive (CE), an Economic Development Commission (EDC) will be established to provide visionary direction and advice to the Government on the overall strategy and policy to broaden Hong Kong's economic base and to enhance Hong Kong's economic growth and development, and in particular, to explore and identify growth sectors or clusters of sectors which present opportunities for Hong Kong's further economic growth, and recommend possible policy and other support for these industries. The EDC will be led by the CE, under which four Working Groups will conduct in-depth studies of "transportation", "convention and exhibition industries and tourism", "manufacturing industries, innovative technology and cultural and creative industries" and "professional services" respectively.

Enhance the existing mechanism for monitoring the implementation of "Mainland and Hong Kong Closer Economic Partnership Arrangement" (CEPA) by setting up an additional joint working group.

3. On implementation of CEPA, we recognise the problems encountered by the trade in entering into the Mainland market through the CEPA preferential measures. To resolve these problems, as announced by the CE, the HKSAR Government will, together with the Central People's Government (CPG), enhance the existing mechanism for monitoring the implementation of CEPA measures by establishing an additional Joint Working Group. The Group will be led, on the Mainland side, by the Ministry of Commerce, and upon its invitation, be participated by the relevant CPG ministries and municipal governments. The working group will provide targeted assistance to sectors which have encountered relatively more entry barriers, according to feedback from the sectors concerned, with emphasis on assisting small and medium sized enterprises (SMEs).

Work with stakeholders to explore the development of intellectual property trading in Hong Kong.

4. Under a knowledge-based economy, intellectual property (IP) rights are increasingly commercialised and traded around the world. Hong Kong has the potential to develop into a regional IP trading hub, given our outstanding business environment, robust IP protection regime, extensive investments across Asia with Mainland as our hinterland, and experience in areas such as research and development, design, trading and business services in support of industrial production. We plan to set up a working group comprising the Administration, the industry and experts to examine the overall strategies to promote Hong Kong as an IP trading hub and possible Government support needed.

On-going initiatives

Participating actively in the work of the World Trade Organization (WTO) to bring about continual trade liberalisation and to promote and protect the trade interest of Hong Kong.

5. The multilateral trading system embodied in the WTO is the cornerstone of Hong Kong's external trade policy. Hong Kong participates actively in the WTO to secure maximum market access for Hong Kong's exports of goods and services to international markets.

6. Among other efforts to contribute to the Doha Development Agenda (DDA) negotiations of the WTO:

- Hong Kong participated in the Eighth Ministerial Conference (MC8) held at Geneva, Switzerland from 15 to 17 December 2011. Ministers set the broad direction for moving forward the Doha Round and WTO activities.
- The Secretary for Commerce and Economic Development attended the Informal Ministerial Meetings on DDA held on 28 January and 23 May 2012 in Davos and Paris respectively to explore ways to take the DDA negotiations forward with other participating Ministers.

7. Notwithstanding our efforts, as well as the renewed commitments and continued encouragements from G20 and Asia-Pacific Economic Cooperation economies, and WTO Members' ongoing attempts to pursue fresh and credible approaches with a view to furthering the negotiations, there has been very little progress in the DDA negotiations.

8. Hong Kong will participate in the Ninth Ministerial Conference (MC9) of the WTO to be held in December 2013 in Bali, Indonesia. Hong Kong will continue to work closely with other WTO Members in bringing concrete and fruitful outcomes for the Conference.

Seeking to enter into more economic and trade arrangements with trading partners to secure more favourable access to overseas markets for Hong Kong goods and services; and stepping up the lobbying efforts to pursue Hong Kong's request to join the Free Trade Area between China and the Association of Southeast Asian Nations (ASEAN) (CAFTA).

9. Pursuing bilateral or plurilateral free trade agreements (FTAs) has become a global trend as evidenced by the proliferation of the number of FTAs in the past decade. In response to this trend, and to safeguard Hong Kong's long-term economic interest and maintain its international profile, Hong Kong has also been active in forging FTAs with our trading partners. In September 2012, the HKSAR Government signed an FTA with Chile. The FTA between Hong Kong and member states of the European Free Trade Association, namely Iceland, Liechtenstein, Norway and Switzerland entered into force in October/November 2012. The Government will continue to pursue FTAs with other trading partners.

10. With strong support from the CPG, Hong Kong submitted to ASEAN a request to join CAFTA in November 2011 with a view to assisting Hong Kong traders and investors in tapping the emerging Southeast Asian market and promoting regional economic co-operation. The Government has been actively lobbying ASEAN Member States, as well as elaborating the potential benefits of Hong Kong's participation in CAFTA. ASEAN Member States responded positively in general and are currently conducting domestic consultations and assessment on Hong Kong's proposed accession. We will step up our lobbying efforts with a view to seeking an early decision from ASEAN to engage Hong Kong in

accession talks.

Actively seeking to negotiate and conclude more Investment Promotion and Protection Agreements (IPPAs) with other economies to attract foreign investments in Hong Kong and to enhance protection of Hong Kong investors' overseas investments, with a view to enhancing investment flows and boosting our economy.

11. Hong Kong has been negotiating and concluding IPPAs with other economies to enhance investment flows and boost our economy. So far, Hong Kong has signed IPPAs with 17 economies, namely (in chronological order) the Netherlands, Australia, Denmark, Sweden, Switzerland, New Zealand, Italy, France, Germany, Belgo-Luxembourg Economic Union, Austria, Japan, Korea, the United Kingdom, Thailand, Finland, and Kuwait.

12. In November 2012, Hong Kong commenced negotiations on an IPPA with the Russian Federation. Under the FTA signed with Chile in September 2012, Hong Kong and Chile also agreed to initiate negotiations on a comprehensive Investment Agreement upon the entry into force of the FTA.

13. The HKSAR Government will continue its efforts to forge IPPAs with other economies.

Encouraging more enterprises from the Mainland, Taiwan and the emerging markets including Southeast Asia, Russia, India, the Middle East and South America to invest in Hong Kong and helping our enterprises tap the business opportunities in these markets; and strengthening aftercare services and support to those enterprises already established here to encourage them to upgrade their presence.

14. Over the years, Invest Hong Kong (InvestHK) has strived to encourage and attract companies from the Mainland, Taiwan and key emerging markets to set up or expand their business operations in Hong Kong. In 2012, InvestHK has completed 316 overseas, Mainland and Taiwan investment projects. To attract more Mainland privately-owned enterprises to establish a presence in Hong Kong, InvestHK conducted a series of investment promotion seminars in high

growth Mainland cities in 2012, including Wuhan, Tangshan, Taiyuan, Hohhot, Xian, Nanchang, Shanghai, Changsha, Hangzhou, Chengdu, Huizhou, Shantou and Xiamen. In the coming year, the Mainland market will remain a priority of our investment promotion work. InvestHK will continue to step up efforts in promoting Hong Kong as an ideal platform for Mainland companies to go global and expand their business internationally. It will organise investment promotion seminars, targeting the fast-growing cities in the inland as well as coastal provinces.

15. With the establishment of the Investment Promotion Unit in the Hong Kong Economic, Trade and Cultural Office in Taipei in May 2012, InvestHK has stepped up its promotion efforts in attracting more inward investment from Taiwan. It has also strengthened partnership with the Taiwan business community through organising seminars, company visits and promotional events in different cities in Taiwan throughout the year. Looking ahead, InvestHK will further strengthen collaboration with Taiwan representative bodies and business associations in Hong Kong. It will also reach out to a wider spectrum of Taiwanese enterprises, including those already with a presence in Hong Kong, so as to identify more potential Taiwan investors to set up or expand their businesses in Hong Kong.

16. In 2012, InvestHK has continued its investment promotion work in the key emerging markets including Southeast Asia, Russia, India, the Middle East and South America. For example, a joint promotion event was organised with Zhuhai in Moscow, Russia in August 2012. A business seminar was also held in Bangkok, Thailand in November 2012. To enhance the promotion efforts in South America and the Middle East, InvestHK has recruited a consultant based in Sao Paulo, Brazil and engaged another consultant based in Abu Dhabi, United Arab Emirates last year. InvestHK will continue to accord priority to attracting more companies from the emerging markets to set up in Hong Kong in 2013.

17. To ensure overseas and Mainland companies already established in Hong Kong have all the support they need to expand their business operations, InvestHK has continued to proactively approach these companies to provide them with ongoing aftercare support services. In the coming year, InvestHK will continue to strengthen these services to help multinational companies in Hong Kong expand their business

operations and encourage them to locate their regional or global headquarters in Hong Kong.

Working closely with the Mainland authorities to explore further trade liberalisation and facilitation measures under CEPA, particularly to expand the scope of “early and pilot implementation” from Guangdong Province to other provinces in the Pan Pearl River Delta Region to facilitate regional economic integration.

18. The CPG announced in August 2011 a wide range of measures to support social and economic development in Hong Kong, that included the further opening up of the Mainland market for Hong Kong services sectors, and setting a target to achieve basically, through CEPA, liberalisation of trade in services between the Mainland and Hong Kong before the end of the National 12th Five-Year Plan period. Since the promulgation of the goal of liberalisation by the CPG, CEPA Supplement VIII and CEPA Supplement IX have been successfully signed between the Mainland and Hong Kong within just a year. Both sides are making steady progress towards the goal of liberalisation. Meanwhile, the HKSAR Government will continue to work closely with our Mainland counterparts and the trade has been consulted on the goal of liberalisation of trade in services. In the coming few years, we will strive to further open up the Mainland market to Hong Kong service sectors by broadening and deepening the scope of liberalisation under CEPA.

19. Besides, in line with the progressive and incremental approach as stipulated in CEPA, the HKSAR Government and the CPG, when exploring liberalisation measures under CEPA, will seek to pursue liberalisation on a pilot basis in individual provinces so as to set models and provide the basis for seeking nation-wide liberalisation in future. Owing to its geographical advantage, currently there are more early and pilot measures in Guangdong Province. Taking into account the views of the trade in Hong Kong, we will continue to pursue with the CPG extension of the “early and pilot implementation” to the whole nation or other provinces/municipalities, particularly those in the Pan-Pearl River Delta Region, with a view to providing more business opportunities for the trade.

Working closely with the trade to facilitate the latter to adapt to the Mainland's policy adjustments, to facilitate them to upgrade, restructure and relocate their operation, to develop the Mainland domestic sales market, as well as to reflect their views to the Mainland authorities.

20. Hong Kong enterprises have a lot of investments in the Mainland, especially in the Guangdong Province. These investments involve different businesses, and many of them are manufacturing operations in the processing trade. Under the National 12th Five-Year Plan, the CPG will continue to encourage the upgrading and restructuring of enterprises and to expand domestic demand. During his visit to Hong Kong in August 2011, Vice-Premier LI Keqiang announced 36 measures supporting the social and economic development of Hong Kong, which covered a wide range of areas including finance, economy and trade. One of the measures is to support and encourage the stable development and upgrading and restructuring of Hong Kong enterprises engaging in processing trade in the Mainland.

21. In line with the national development direction, the HKSAR Government has been implementing various measures to assist Hong Kong enterprises in upgrading and restructuring their operations and promoting domestic sales in the Mainland, so that they can capture the massive opportunities brought by the 12th National Five-Year Plan.

22. We have been maintaining a close dialogue with the trade through the Task Force to Support the Processing Trade and other channels to understand their concerns and maintaining close liaison with the relevant Mainland authorities at central, provincial and municipal levels to reflect the concerns of Hong Kong enterprises operating in the Mainland. The Trade and Industry Department (TID) and our offices in the Mainland also regularly disseminate information to Hong Kong enterprises through circulars and newsletters and organising activities such as symposiums and seminars to keep them abreast of various new policies and regulations and the latest business environment in the Mainland. Through organisations such as the Hong Kong Trade Development Council (TDC) and Hong Kong Productivity Council, we provide Hong Kong enterprises with support services on technological upgrading, management improvement, branding and market development, etc., as well as information on the Mainland market.

23. Regarding promoting domestic sales, we understand that the trade needs to understand the relevant markets in the Mainland and a suitable and effective platform to promote their products and brands. In the light of this, we have been organising promotional activities, trade fairs and trade missions to the Mainland through the TDC, with a view to enhancing the trade's understanding of the Mainland's policies and market development. In addition, our offices in the Mainland also collaborate with trade associations and other organisations to organise "Hong Kong Week" events in second-tier cities under their respective coverage, in order to promote Hong Kong products and services, and assist Hong Kong enterprises in building up their brand image and brand awareness in the Mainland market.

24. To further assist Hong Kong enterprises in increasing their competitiveness in the Mainland market, we introduced a \$1 billion dedicated fund in end June 2012 to assist Hong Kong enterprises in developing brands, upgrading and restructuring operations, and promoting domestic sales in the Mainland. The dedicated fund provides funding support to individual enterprises (Enterprise Support Programme) and non-profit-distributing organisations (Organisation Support Programme) to assist enterprises in developing brands, upgrading and restructuring operations, and promoting domestic sales in the Mainland so as to enhance their competitiveness and facilitate their business development in the Mainland. The response of the trade towards the fund has been overwhelming. As at the end of December 2012, 519 applications and 54 applications were received under the Enterprise Support Programme and Organisation Support Programme respectively. Under the Enterprise Support Programme, 297 applications¹ received under the first two batches had been processed. 31 applications were approved with the average funding amount of \$368,000. Another 71 applications were approved with conditions. On the other hand, under the Organisation Support Programme, 37 applications received under the first two batches had been processed. 17 applications were approved, with an average funding amount of around \$3.57 million.

¹ Including 67 applications subsequently withdrawn by enterprises.

Continuing to support Hong Kong enterprises in the development and promotion of Hong Kong brands to enable them to better compete in the Mainland and overseas markets.

25. In view of drastic changes in the global economy and intensive competition in the market, Hong Kong enterprises have intensified efforts in upgrading their operations and building brands to enhance their competitiveness, so as to meet the challenges and opportunities ahead. The Hong Kong Economic and Trade Offices in the Mainland and overseas, the TDC and the Hong Kong Tourism Board (HKTB) and other related government departments will step up their efforts to promote the image of Hong Kong and the uniqueness of Hong Kong brands.

26. The Government has been providing assistance through funding support, training and promotional activities to assist Hong Kong enterprises develop their brands. We will also strengthen co-operation and communication with relevant organisations, such as to jointly organise branding conferences, seminars and workshops to enhance the knowledge of Hong Kong enterprises on brand building. We will continue to provide funding through the Dedicated Fund on Branding, Upgrading and Domestic Sales and the SME funding schemes to facilitate local enterprises in developing and promoting their brands in the Mainland and other emerging overseas markets. Moreover, to help Hong Kong-invested enterprises in Guangdong enhance credibility of their brands and establish corporate image in the Mainland, the Intellectual Property Department will continue to promote actively to enterprises, trade associations and IP practitioners the Application for Accreditation of Guangdong Provincial Famous Trademarks by Hong Kong-invested Enterprises.

Continuing to support Hong Kong enterprises (in particular SMEs) through measures including various funding schemes.

27. We continue to assist Hong Kong enterprises in securing finance, expanding markets and enhancing overall competitiveness through the three SME funding schemes administered by TID, namely, the SME Loan Guarantee Scheme, the SME Export Marketing Fund and the SME Development Fund.

28. The Hong Kong Mortgage Corporation Limited (HKMC) has launched the market-based SME Financing Guarantee Scheme (SFGS) since 1 January 2011. The scheme provides 50% to 70% loan guarantee so as to help enterprises obtain loans from the commercial lending market to meet their financing needs in the rapidly changing business environment. To tide the enterprises over financing difficulties due to a possible credit crunch amidst the prevailing uncertain external economic environment, the Financial Secretary proposed in the 2012-13 Budget to introduce a special time-limited 80% guarantee product under the SFGS at a concessionary fee rate. The Government would provide a total loan guarantee commitment of HK\$100 billion. With the funding approval by the Finance Committee (FC), the HKMC launched the special concessionary measures on 31 May 2012 for application for nine months until end of February 2013. The special concessionary measures have been well received by the trade. As at the end of December 2012, the HKMC has approved over 5 000 applications under the special concessionary measures, involving a total loan guarantee amount of \$18.1 billion.

29. We will continue to closely monitor and review from time to time the operation of the SME funding schemes and other support measures for SMEs. We will take into account all relevant factors, including the market situation and the needs of the trade, and make timely adjustments so that appropriate assistance can be provided to the trade.

Further promoting and expanding trade, investment, tourism, cultural and other areas of co-operation between Hong Kong and Taiwan and promoting multi-faceted, multi-level exchanges with Taiwan in a proactive manner through the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council, the Hong Kong-Taiwan Business Co-operation Committee and the Hong Kong-Taiwan Cultural Co-operation Committee.

30. Hong Kong and Taiwan enjoy close economic and trade relations. In 2011, Taiwan was the fourth largest trading partner of Hong Kong, with a total value of bilateral merchandise trade over HK\$320 billion. Taiwan was the third largest trading partner of Hong Kong in Asia after the Mainland and Japan. From January to October 2012, the total merchandise trade value between Hong Kong and Taiwan amounted to over HK\$260 billion. The HKSAR Government is committed to

strengthening economic and trade co-operation between the two places in areas such as trade promotion, investment promotion, tourism, trade facilitation and creative industries, etc.

31. In the light of the huge potential for further development of economic and trade ties between Hong Kong and Taiwan, the business sectors of both sides have indicated support for Hong Kong and Taiwan to actively explore the establishment of a comprehensive framework for economic and trade co-operation, with a view to enhancing bilateral trade and economic relations, strengthening confidence of investors from both sides, and bringing real benefits to the business sectors. Through interactions on the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC) – Taiwan-Hong Kong Economic and Cultural Co-operation Council (THEC) platform during the past years, the two sides have established a good and effective mechanism for discussion and consultation. We have also expressed our wish to the Taiwan side to forge with them a co-operation arrangement similar to the CEPA or the “Cross-Straits Economic Co-operation Framework Agreement”. In the coming year, we would continue to actively follow up with the Taiwan side through the ECCPC – THEC platform, with a view to starting substantive discussions as early as possible.

Promoting co-operation among major venues and fair organisers to achieve better utilisation of existing convention and exhibition facilities.

32. We will continue to encourage and facilitate fair organisers and venue operators to make fuller use of our existing convention and exhibition facilities. Following the “one show, two venues” approach, the Hong Kong Jewelry and Gem Fair was held concurrently again at the Hong Kong Convention and Exhibition Centre (HKCEC) and the AsiaWorld-Expo (AWE) in September 2012 to tap the synergy of integrating our first-class exhibition venues for a trade fair organised by the same event organiser. The fair featured over 3 500 exhibitors spreading over 130 000 square meters of exhibitions space in AWE and HKCEC. Besides, the TDC will also continue to explore the possibilities of organising more shows at AWE, either on its own or in partnership with other private fair organisers.

Reviewing the Patent System to ensure that it continues to meet present-day circumstances and is commensurate with our efforts to develop Hong Kong into a regional innovation and technology hub.

33. To ensure that our patent system continues to meet present-day circumstances and that its future positioning is in alignment with our vision of developing Hong Kong into a regional innovation and technology hub, we have embarked on a comprehensive review of the system. We issued a consultation paper and established an advisory committee in October 2011 to gauge the views of the public and stakeholders on the future positioning of the system. With recommendations submitted by the advisory committee, we plan to set out shortly the way forward, and will continue to work with the advisory committee on the implementation arrangements.

Continuing to engage stakeholders for strengthening copyright protection in the digital environment.

34. In order to strengthen copyright protection in the digital environment, we will continue to engage various stakeholders to address issues of public concern, including parody and related copyright issues.

Continuing to promote awareness of IP rights in the business sector, and to assist business, in particular SMEs, to achieve compliance with IP rules.

35. We will continue to promote protection and respect for IP rights in the business sector through various channels and activities, including seminars, publication of leaflets and other reference materials. To help enterprises, especially SMEs, protect and capitalise on their intellectual assets (including brands, copyrights, business systems and practices, registered IP rights, etc.) for future business development, we will continue to promote awareness of innovation and IP management among SMEs, particularly targeting on their needs for IP solutions and tradable IP rights in their desired markets, with a view to helping them optimise the use of resources for timely transformation and advancement.

Continuing to support the further development of wine trading and distribution businesses in Hong Kong, riding on growing demand across Asia. Measures being pursued include trade and investment promotion, facilitating the movement of wine imports into the Mainland, fortifying our certification scheme for wine storage facilities, manpower training and education, promotion of wine and food pairing, combating counterfeits, and collaboration with trading partners.

36. According to the industry, Hong Kong is expected to retain the position of being the largest wine auction centre in the world again in 2012 for three consecutive years. Hong Kong also continues to play the role as the wine trading hub in the region. In terms of re-exports to the Mainland, the value in the first ten months of 2012 amounted to over HK\$800 million representing an increase of more than 26% year-on-year.

37. 2012 saw a number of major wine trade and investment promotional events including the fifth international wine fair organised by the TDC, as one of Asia's largest event of its kind, and the world-renowned wine exhibition Vinexpo Asia-Pacific 2012 (hosted in town for the fifth time in a row). Both were attended by a record number of exhibitors and visitors. As regards co-operation with trading partners, apart from the signing of an agreement with Germany, we promoted Hong Kong in Bordeaux and Burgundy of France. We also launched a video and a website to support the work of the TDC, the HKTb and InvestHK.

38. Moreover, since November 2012, the clearance facilitation scheme for wines re-exported from Hong Kong to the Mainland has been extended from Shenzhen to Guangzhou. In the year, the Hong Kong Quality Assurance Agency has also made some initial plan on strengthening its wine storage management system certification scheme.

39. In 2013 we will carry on our promotion work and assist in enhancing the two schemes mentioned above. We also plan to conduct a manpower study on the wine-related industry. This aims to better assess the manpower demand and supply position for reference by industry players and training providers. To promote wine and food pairing, the HKTb will stage the Wine and Dine Festival at a new venue along the New Central Harbourfront. Other ongoing efforts include staying vigilant against any wine counterfeit and maintaining liaison with the industry. We continue to encourage industry players to grasp the opportunities arising from the national "12th Five-Year Plan for the Wine

Industry”.

Continuing to pursue measures to facilitate the movement of goods across the boundary, with a view to maintaining Hong Kong's competitiveness. These include the continued smooth operation of the “Road Cargo System”, and promotion of the “Intermodal Transshipment Facilitation Scheme” and “Authorised Economic Operator Programme”.

40. The Road Cargo System (ROCARS) requires shippers and truck drivers to submit advance road cargo data electronically. This enables Customs and Excise Department (C&ED) to enhance risk-profiling and thus provide seamless clearance service. ROCARS has become fully implemented since November 2011. The clearance time of cross-boundary goods vehicles has reduced from an average of 60 seconds previously to less than 20 seconds now². C&ED will continue to ensure the smooth operation of ROCARS and liaise with the industry.

41. ROCARS users may also enjoy the Intermodal Transshipment Facilitation Scheme. With e-lock and tracking devices prescribed by C&ED, the cargoes in question will only be subject to inspection once, if selected, at the point of exit or entrance. At present, a daily average of 16 000 consignments is being so benefited. C&ED will further promote the Scheme. In 2012, C&ED also started a technical pilot whereby the same e-lock system would be accepted by both Hong Kong and Guangdong Province in respect of similar facilitation arrangements. In this way time can be saved from changing e-locks at the boundary. The two sides will review the trial outcome in 2013 before rolling out the technical co-operation in full.

42. In addition, C&ED has formally launched the Hong Kong Authorised Economic Operator (AEO) Programme since April 2012. Local companies engaged in businesses along the international supply chain³ are welcome to apply. Applicants that meet certain security standards will be accredited by C&ED as AEOs and enjoy priority clearance and reduced examination. In the first nine months since

² With ROCARS, truck drivers only need to stop once at kiosks jointly operated by Immigration Department and C&ED for completion of all procedures.

³ They include manufacturers, importers/exporters, freight forwarders, warehouse operators, carriers, etc.

launching, nine companies have been accredited. The applications from another 14 companies are being processed apart from sustained enquiries received. C&ED would continue to promote the Programme.

Part II : Innovation and Technology Commission

New Initiative

Study how best to promote realisation of research and development (R&D) results and collaboration with the Mainland through supporting the work of the stakeholders.

43. Hong Kong has a world-class tertiary education system and our universities are consistently well ranked in Asia. The university community is a key driver behind innovation and technology (I&T) development in Hong Kong. It is an important source of innovative ideas, researches and technology talents the successful transfer of which will spur the growth of the I&T industry. As at end-October 2012, the Innovation and Technology Fund (ITF) has supported about 1 900 R&D projects⁴, of which over 980, i.e. more than half, were undertaken by universities, involving a total approved funding of about \$2.5 billion.

44. We note that the universities have in recent years increasingly focused on the realisation of R&D results and collaboration with the Mainland. With the support of the Ministry of Science and Technology (MOST), 12 Partner State Key Laboratories (PSKLs) have been established under various universities to enhance collaboration among leading laboratories in the two places.

45. However, the road from the laboratory to commercialisation is complex. For instance, it involves identifying and securing funding as well as complicated negotiations on IP rights and sharing of future benefits. All these are tasks relatively new to universities whose role traditionally focuses more on teaching and research.

⁴ The ITF also supported about 1 100 non-R&D related projects, including funding support for employing interns and other activities that could help promote technology developments in Hong Kong and enhance the awareness of I&T in the community.

46. To address the above needs, we will study how best to support the work of the universities and other stakeholders in promoting realisation of R&D results and collaboration with the Mainland.

On-going Initiatives

Supporting the R&D of SMEs through the Small Entrepreneur Research Assistance Programme (SERAP).

47. SMEs are the backbone of our economy. The SERAP under the ITF provides matching grant to technology companies for conducting applied R&D and putting their innovative technological ideas into commercialisation. We conducted a review of SERAP and implemented a series of enhancement measures in April 2012 with a view to better supporting SMEs. The maximum funding for individual approved projects has been increased from \$4 million to \$6 million, and the eligibility criteria for the programme has also been extended to enterprises supported by venture capital. The scope of funding now covers commercialisation activities such as the testing and certification of prototypes, industrial design and pre-clinical and clinical trials. Starting from July 2012, SERAP applicants could also obtain further funding support under the Public Sector Trial Scheme, which enables the production of prototypes/samples and conducting of trial schemes in the public sector to facilitate and promote the realisation and commercialisation of R&D results. In the coming year, we will continue to promote and support R&D among SMEs through the SERAP.

Capitalising on the opportunities presented by the National 12th Five-Year Plan in science and technology collaboration with the Mainland.

48. We have commenced various programmes to dovetail with the National 12th Five-Year Plan. Starting from 2011-12, we have been providing funding support to 12 PSKLs. We are pleased to report that a new round of applications for admission as PSKLs has now commenced, and we are working closely with MOST in the process. Following the support measures announced by Vice Premier Li Keqiang in August 2011 and the subsequent approval of MOST, the 'Hong Kong Branch of the National Engineering Research Centre for Application Specific Integrated Circuit (ASIC) System' was established under the Hong Kong Applied Science and Technology Research Institute (ASTRI), one of our R&D

centres, in September 2012 in collaboration with the Southeast University (SEU) in Nanjing. In addition, the Hong Kong Science Park was formally designated as the Hong Kong National High-tech Industrialisation (Partner) Base for Green Technology in November 2011. Since then, the number of tenants engaging in green technology has increased by 16% (i.e. from 31 tenants to 36 tenants). In particular, the occupancy rate of the Green 18 (a building opened in mid-2011 to facilitate the development of green technology) has increased from 38% to 84%. Phase 3 of Hong Kong Science Park will also put emphasis on supporting the development of green technology.

49. In June 2012, the CPG announced measures to promote collaboration between the Mainland and Hong Kong. On the technology front, the importance of encouraging our R&D personnel to participate in major projects of the national science and technology programmes (國家重大科技項目) and national talent support schemes was reaffirmed. Through the Mainland/Hong Kong Science and Technology Co-operation Committee, we have been working closely with MOST to enhance collaboration in this regard. For instance, we are pleased to note various successful applications of our universities for funding of '973' Programme through their Mainland subsidiaries direct. At the margin of the seventh meeting of the Committee in September 2012, the Innovation and Technology Commission organised a seminar for our R&D community on Hong Kong scientists' participation in national science and technology development. These collaboration measures will facilitate the R&D community in Hong Kong to progressively participate in the national innovation and technology system.

50. We promote collaboration with our Guangdong counterparts through regular high-level meetings as well as promoting joint R&D collaboration through the Guangdong/Hong Kong Technology Collaboration Funding Scheme. On the front of Shenzhen which is our partner just across the border, various capacity-building initiatives of the Three-Year Plan under the 'Shenzhen-Hong Kong Innovation Circle' have been implemented. A notable example is the establishment of the Industry-Academia-Research Bases or R&D centres by various universities in the Nanshan High-Tech Zone of Shenzhen (深圳南山高新區) where programmes with collaboration among the industry, academia and research communities in the two places have already commenced. In the coming year, we will continue to work closely with our Mainland

counterparts through the established platforms, so as to continue our facilitation for enhanced collaboration and joint R&D in areas which dovetail with the National 12th Five-Year Plan.

Working closely with the Hong Kong Science and Technology Parks Corporation (HKSTPC) on the development of Hong Kong Science Park Phase 3, the revitalisation of industrial estates (IEs) and the feasibility study on the proposed extension of Yuen Long Industrial Estate (YLIE).

51. The Hong Kong Science Park, which comprises Phases 1 and 2, is now about 95% occupied. The construction of Science Park Phase 3, with an approved cost of \$4.9 billion, is generally progressing on schedule. The development will be completed in phases between 2014 and 2016, and will provide an additional 100 000 square metres of floor space. Science Park Phase 3 will be able to accommodate another 150 I&T companies and 4 000 related jobs.

52. To ensure the effective use of land in the IEs, HKSTPC will continue to revitalise the existing three estates in Yuen Long, Tai Po and Tseung Kwan O by encouraging grantees that are not fully utilising their sites (for example due to economic restructuring) to take up new projects, surrender the sites or assign them to new users. Since 2007, HKSTPC has approved 24 assignment applications involving about 25 hectares of land (versus only 19 assignment cases involving 22 hectares of land in the first 29 years of IE operation, i.e. from 1978 to 2006).

53. To provide more land for the longer-term development of the high-tech industry, the Financial Secretary announced in the 2012-13 Budget that the Administration would explore the feasibility of expanding the YLIE by about 16 hectares. The HKSTPC commissioned a technical assessment consultancy study in July 2012 and the study is on going with a view to making a recommendation by mid-2014.

Promoting applied R&D and technology transfer to the industry through the R&D Centres (including ASTRI) and the ITF.

54. Over the past six years, the five R&D Centres have undertaken more than 500 research projects with an ITF funding of some \$2.5 billion. We completed in late 2011 a comprehensive review on the operation and overall performance of the R&D Centres and reported to the Panel the

findings of the review in December 2011 and our proposal to further extend their operation.

55. In May 2012, the FC of Legislative Council approved an additional funding of \$275.3 million to extend the operation of two R&D Centres, namely the Automotive and Accessory Systems R&D Centre and the Nano and Advanced Materials Institute up to March 2017, and that of another two R&D Centres, namely the Hong Kong Research Institute of Textiles and Apparel and the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies up to March 2015. Due to historical reason, the operation of the Hong Kong R&D Centre for Information and Communications Technologies under ASTRI will continue to be funded by a triennial government subvention (while projects will be funded via the ITF). We are conducting a comprehensive review on the work of ASTRI after over a decade of operation to see what improvements/adjustments in direction should be made. As in previous years, we will in June 2013 submit a detailed report to the Panel on the work of the R&D Centres.

56. In 2012, we introduced further improvement measures to the ITF to better support realisation and commercialisation of the R&D results as well as training of local research personnel. In addition, the financial ceiling of each ITF project was increased from \$21 million to \$30 million to tie in with FC's approval of the increase in the financial ceiling of the delegated authority for minor capital works projects. We are also actively encouraging the use of cluster project approach (both for seed projects as well as full ITF projects), i.e. different projects with a common theme can be submitted in a batch and be processed together, e.g. projects on aircraft engineering, cloud computing, etc. We hope that through such an approach, R&D outcome can be more visible and applicable within a shorter period of time.

Reviewing and refining the R&D Cash Rebate Scheme to reinforce research culture among business enterprises and encourage them to establish stronger partnership with designated local public research institutions.

57. The \$200 million R&D Cash Rebate Scheme launched in April 2010 provides cash rebate on the investment by enterprises in conducting R&D projects either funded under the ITF or in partnership with designated local public research institutions.

58. To enhance the effectiveness of the Scheme, we have increased the level of cash rebate by three-fold, from 10% to 30% with effect from 1 February 2012. From 1 February 2012 to end-November 2012, the number of approved applications was 168, an increase of 8% from 155 cases in the same period in 2011. We are also pleased to report that the number of pre-registrations for the Scheme, which will be followed by a formal application upon completion of the R&D project, has increased substantially from 46 to 103, which represents an increase by 124% for the 10 months since the introduction of the enhanced measures compared to the same period in 2011. As at end-November 2012, more than 510 applications have been approved for a total rebate of over \$35.3 million. We are conducting a comprehensive review of the Scheme and will report to this Panel in mid 2013.

Working closely with the Hong Kong Council for Testing and Certification (HKCTC) to implement the three-year market-driven industry development plan proposed by HKCTC in 2010.

59. The Government has been promoting the development of the testing and certification industry. It has adopted a dual approach based on the three-year market-driven industry development plan proposed by HKCTC in 2010 – making general improvements to the accreditation service and factors of production (i.e. manpower, technology, capital and land), whilst putting focused effort in six specific trades that have potential demand for testing and certification services. These six trades include Chinese medicines, construction materials, food, jewellery, environmental protection as well as information and communications technologies.

60. On promotion, HKCTC has been using the various platforms of the TDC, including local and overseas trade fairs, to promote the “Tested in Hong Kong, Certified in Hong Kong” brand to potential service users.

61. On exploring the Mainland market, CEPA allows Hong Kong testing organisations to test products processed in Hong Kong for the China Compulsory Certification (CCC) system. Starting from January 2013, CEPA has expanded, on a pilot basis in Guangdong, the scope of testing services that can be provided by Hong Kong testing organisations to food-related certifications. These measures reflected the gradual acceptance of Hong Kong's testing results by the Mainland and would facilitate Hong Kong's testing and certification industry in exploring the Mainland market in the longer run.

62. The Administration is now working closely with HKCTC in reviewing the implementation progress of the three-year industry development plan, with a view to formulating a new proposal to support further development of the industry.

Organising a wide range of promotional activities including the InnoTech Month (ITM) during October 2012 to enhance the community's awareness of I&T.

63. We have organised a wide range of promotional activities to enhance public awareness of I&T, including the anchor event of the ITM held from late October to early December 2012 which attracted over 200 000 visits. We also support students and enterprises to participate in science and technology competitions or invention exhibitions which brought home impressive awards from overseas last year.

64. In 2013, we will continue to organise the ITM and support the organisation of various science and technology competitions and promotional activities to nurture a culture of I&T in the community.

Commerce, Industry and Tourism Branch
Innovation and Technology Commission
Commerce and Economic Development Bureau
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