

立法會
Legislative Council

LC Paper No. FC238/14-15
(These minutes have been
seen by the Administration)

Ref : FC/1/1(1)

Finance Committee of the Legislative Council

Minutes of the 38th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 27 February 2015, at 3:15 pm

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon CHAN Kin-por, BBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Dr Hon LEUNG Ka-lau
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP

Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon TAM Yiu-chung, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Starry LEE Wai-king, JP

Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Kenneth LEUNG
Dr Hon Helena WONG Pik-wan

Public officers attending:

Professor K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Prof Sophia CHAN Siu-chee, JP	Under Secretary for Food and Health
Mr Mickey LAI Kin-ming	Assistant Director of Agriculture, Fisheries and Conservation (Fisheries)
Mr CHAN Kim-hung	Senior Fisheries Officer (Fisheries Supporting Services), Agriculture, Fisheries and Conservation Department
Mr YAU Shing-mu, JP	Under Secretary for Transport and Housing
Ms Judy CHUNG Sui-kei	Principal Assistant Secretary for Transport and Housing (Transport) 5
Mr Jimmy CHAN Pai-ming	Project Manager (Major Works), Highways Department
Mr LEUNG Tat-fai	Chief Engineer (Priority Railway), Transport Department
Miss Janet WONG, JP	Commissioner for Innovation and Technology
Mr Johann WONG, JP	Deputy Commissioner for Innovation and Technology
Mr Frank TSANG	Assistant Commissioner for Innovation and Technology (Funding Schemes)
Prof YUE On-ching	Science Advisor, Innovation and Technology Commission

Clerk in attendance:

Ms Anita SIT

Assistant Secretary General 1

Staff in attendance:

Mr Derek LO

Chief Council Secretary (1)5

Mr Daniel SIN

Senior Council Secretary (1)7

Mr Raymond SZETO

Council Secretary (1)5

Mr Frankie WOO

Senior Legislative Assistant (1)3

Ms Michelle NIEN

Legislative Assistant (1)5

Miss Yannes HO

Legislative Assistant (1)6

Action

Item No. 1 – FCR(2014-15)51

**RECOMMENDATIONS OF THE
PUBLIC WORKS SUBCOMMITTEE**

**MADE ON 26 NOVEMBER 2014, 23, 30 JANUARY,
4 AND 10 FEBRUARY 2015**

The Chairman advised that the item sought the Committee's approval of the recommendations of the Public Works Subcommittee ("PWSC") made at its meetings held on 26 November 2014, 23 January, 30 January, 4 February and 10 February 2015. No member had requested for any of the items recommended by PWSC to be discussed and voted on separately at the meeting.

2. There being no question or comment from members, the Chairman put item FCR(2014-15)51 to vote. The Chairman declared that the Committee approved the item.

Item No. 2 – FCR(2014-15)45A

LOAN FUND

HEAD 262 – PRIMARY PRODUCTS

Subhead 101 Fisheries Loans

3. The Chairman advised that the item invited the Committee's approval of increasing the approved commitment for the Fisheries Development Loan Fund from \$290 million to \$1,100 million and of setting aside around \$400 million in the loan capital for providing loans to inshore trawlers. The Chairman said that the item was an updated version of FCR(2014-15)45, which the Committee had considered at the meetings on 23 and 30 January 2015.

The main revision involved was the extension of the deadline for submitting applications for loans under the loan capital set aside for the owners of inshore trawlers affected by the trawl ban.

4. There being no question or comment from members, the Chairman put the item FCR(2014-15)45A to vote. The Chairman declared that the Committee approved the item.

**Item No. 3 – FCR(2014-15)58
RECOMMENDATION OF THE
PUBLIC WORKS SUBCOMMITTEE MADE ON
9 JANUARY 2015**

5. The Chairman advised that the item sought the Committee's approval of the recommendation of PWSC made at its meeting held on 9 January 2015. The Chairman said that PWSC agreed that the recommendation should be submitted to this Committee separately to facilitate voting on the subject.

6. There being no question or comment from members, the Chairman put the item FCR(2014-15)58 to vote. The Chairman declared that the Committee approved the item.

**Item No. 4 – FCR(2014-15)57
INNOVATION AND TECHNOLOGY FUND
HEAD 111 – INNOVATION AND TECHNOLOGY
Subhead 101 Innovation and Technology (block vote)**

**HEAD 184 – TRANSFERS TO FUNDS
New Subhead "Payment to the Innovation and Technology Fund"**

7. The Chairman advised that the item sought the Committee's approval of a further injection of \$5 billion into the Innovation and Technology Fund ("ITF").

8. Mr WONG Ting-kwong, Chairman of the Panel on Commerce and Industry ("the CI Panel"), reported that the CI Panel had discussed the proposal on 20 January 2015. The CI Panel supported the proposal and the inclusion of Research and Development ("R&D") Cash Rebate Scheme into ITF to provide long-term comprehensive support for the development of innovation and technology ("I&T"). Panel members requested the Administration to exercise discretion in using ITF provisions effectively. Some Panel members opined

that the Administration should expedite the granting of provisions to encourage private sector investment in local R&D projects. Panel members shared the view that ITF's support for commercialization of R&D outcomes should focus on the ones feasible for production in Hong Kong so that it could benefit local employment and economic growth. Some Panel members held the view that ITF should strengthen its support for R&D projects and commercialization by local universities. Panel members urged the Administration to foster an I&T culture and attract local graduates for developing a lifelong career in the field.

9. Dr Elizabeth QUAT declared interest that she was a member of the Small Entrepreneur Research Assistance Programme ("SERAP") Project Assessment Panel under ITF.

Support for innovation and technology and local research and development

10. Mr WONG Kwok-hing, Dr LO Wai-kwok and Mr NG Leung-sing expressed support for the item and said that ITF was beneficial to development of I&T in Hong Kong. Dr LO urged the Administration to expedite financial provisions to support local R&D projects.

11. Commissioner for Innovation and Technology ("CIT") said that the Innovation and Technology Commission ("ITC") would launch a new Enterprise Support Scheme ("ESS") under ITF to step up support for private sector R&D in Hong Kong.

12. Dr Elizabeth QUAT asked whether ITF would provide more support to small and medium enterprises ("SMEs") for registration of intellectual property ("IP") rights.

13. Deputy Commissioner for Innovation and Technology ("DCIT") said that projects funded by ITF could include in its project budget a provision of up to \$250,000 for costs associated with patent registration. Such provision was available to all ITF recipients regardless of its source of funding.

14. Dr Elizabeth QUAT urged the Administration to consider supporting registration of more than one IP for each project funded by ITF. DCIT said that the Administration would consider relaxing the limitation as appropriate on a case-by-case basis.

15. Mr Tony TSE expressed support for the item. He asked whether the target industry contribution at 20% for R&D centres under ITF in the proposal was sufficient.

16. CIT said that one of the missions of the R&D centres was to promote commercialization and application of R&D outcomes especially those which could benefit the community, such as improving the safety of the construction industry and as such maximizing financial return was not their primary concern.

17. Mr WU Chi-wai enquired about ITF's assessment process of applications from local R&D projects and the approval rate vis-à-vis the total number of applications.

18. CIT said that the project assessment panel of ITF consisting of expert members would consider applications for funding on the basis of established assessment criteria. Where necessary, ITC would invite overseas experts to provide opinion during the project assessment stage. At present, ITC would invite project proposals from local universities and other designated local research institutions twice annually. In recent years, the approval rate was about 30%.

19. Mr Alan LEONG asked whether the Administration could adopt a more flexible approach in utilizing ITF in order to retain the benefits of R&D efforts in Hong Kong. He urged the Administration to consider relaxing ITF application requirements for commercial companies, in particular SMEs.

20. CIT said that in order to support SMEs, the new ESS was proposed and would provide funding of up to \$10 million on a dollar-for-dollar matching basis to support R&D efforts in the private sector, with particular emphasis on SMEs. A designated track would be introduced to enable SME applications to be handled more effectively and in a focused manner.

21. Mr Charles MOK and Mr CHUNG Kwok-pun asked the Administration to address the issue of sustainability of R&D projects, which often took a long time and used up their funding before they could deliver commercially viable results.

22. CIT said that to address the sustainability issue of R&D projects, the ITC allowed the fund recipient of a ITF project to submit application for funding for the next phase of its R&D project six months before completion of the present project. In case a project application was rejected, ITC would inform the applicant of the reasons for rejecting their applications and encourage the applicant to resubmit applications. It was anticipated that the new ESS would step up support for R&D and commercialization by the private sector.

Supporting research and development of specific industries

23. Mr TANG Ka-piu and Dr Elizabeth QUAT expressed support for the item. Mr TANG asked whether the Administration would consider supporting R&D projects targeted for the elderly and barrier-free access for handicapped persons, and whether the Administration would implement policies to encourage local production of R&D outcomes.

24. CIT said that there were collaborations between R&D centres and non-governmental organizations for application of R&D outcomes to help the elderly. In order to further promote work on this front, the ITC had been engaging the Elderly Commission and fostering collaboration opportunities with various stakeholders to promote further applications of these outcomes through trials in the public sector. ITC was also considering ways to support local production of R&D outcomes through better utilization of the Industrial Estates.

25. Mr CHAN Han-pan urged the Administration to consider building a new R&D centre dedicated to R&D in Chinese medicine or stepping up support for R&D in life sciences.

26. CIT said that the Administration recognized the potential of R&D on Chinese medicines and had supported a considerable number of related projects under ITF, such as providing funding to support the industry's adoption of Good Manufacturing Practices in the Chinese medicine manufacturing industry. The Administration considered that the proposal for setting up a new R&D centre dedicated to Chinese medicine would require further assessment.

27. Dr Fernando CHEUNG asked whether the Administration would optimize SERAP with respect to R&D support for the elderly and patients with chronic illness. CIT said that ESS to be rolled out under ITF would enhance support for R&D projects conducted by companies including those mentioned by Dr CHEUNG.

28. Dr Fernando CHEUNG suggested that the Administration should include a requirement for R&D projects funded by ITF for social benefits. CIT said that ITC had been encouraging application of R&D outcomes which had significant social benefits, and ITF would also support the application of R&D outcomes in the public sector.

Developing and retaining local research talents

29. Mr TANG Ka-piu urged the Administration to consider providing incentives to retain local and overseas talent needed for developing R&D outcomes.

30. Mr Charles MOK expressed support for the injection of funds into ITF, but said that the I&T industry had not been successful in retaining local talent. He urged the Administration to consider measures to improve the R&D environment in Hong Kong, such as expanding the scope of ITF to cover marketing and promotion, as well as streamlining and expediting the approval process. Mr CHUNG Kwok-pun shared Mr MOK's views.

31. DCIT cited the internship programme under ITF as an example of the initiatives implemented by the Administration to nurture and retain local R&D talents.

Application of local R&D outcomes

32. Mr YIU Si-wing said that Mainland start-ups were able to leverage on the Mainland market to develop profitable I&T products for service industries, such as e-commerce platforms. He urged the Administration to consider utilizing ITF to support initiatives for collaboration between I&T and service industries in line with the global trend of I&T development for service industries, lest Hong Kong start-ups might be marginalized over time.

33. CIT expressed agreement with Mr YIU's view and said that ITF had been supporting R&D projects involving application of technology in the service industries and had been in consultation with the private sector, academia and R&D organizations on relevant matters. Scientific Advisor, Innovation and Technology Commission ("SA, ITC") supplemented that progress had been made in the application of R&D results for service industries. For example, systems developed under the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies ("LSCM") were undergoing commercialization.

34. Mr YIU Si-wing suggested that to bolster general support to the tourism industry, ITF might provide funding for procurement of softwares commonly used by private companies in the tourism industry. CIT said that ITF was able to provide funding for procurement of third-party software IPs in R&D projects funded by ITF.

Application of R&D outcomes in the public sector

35. Mr Tony TSE enquired about the particulars of the Public Sector Trial Scheme ("PSTS") under ITF.

36. CIT said that with support from PSTS, progress had been made in the application of R&D outcomes for use in the public sector. SA, ITC supplemented that LSCM had been working closely with the construction industry for improving the safety of workers at construction sites, which received positive feedback from the industry.

37. Ms Emily LAU enquired whether the Administration had considered stepping up the application of R&D outcomes by Government bureaux/departments.

38. CIT said that the Administration had implemented the recommendations made in the comprehensive review on ITF to intensify efforts to promote the application of R&D outcomes in the public sector. For example, ITC would waive the industry sponsorship requirement for new R&D projects under the Innovation and Technology Support Programme supported by Government bureaux/departments and statutory bodies. So far, PSTS had supported more than 70 projects, involving application of local R&D outcomes in various Government bureaux/departments and other public sector organizations.

39. Ms Emily LAU expressed concern that waiving the industry sponsorship requirement to enable ITF funding for application of local R&D outcomes might discourage private sector investment.

40. CIT said that the above-mentioned waiver only applied to ITF projects conducted by universities and designated public research institutions which had clear support from Government departments/bureaux or statutory bodies and would bring upon significant benefits to the community. Private companies seeking funding under the existing SERAP or the new ESS would still be required to contribute matching funds for their projects for funding by ITF.

41. Mr CHAN Chi-chuen asked whether the Government would actively procure local R&D outcomes. He also expressed concern about the possibility of conflict of interest in processing and assessing applications.

42. CIT said that ITC would act as an intermediary to help promote R&D outcomes funded by ITF for use by Government bureaux/departments. A

number of assessment panels had been established for vetting ITF applications and the panels comprised members from industries, business, academia and R&D organizations. Members of the assessment panels were required to declare potential conflicts of interest and abstain from assessment as necessary.

Commercialization of R&D outcomes

43. Mr WU Chi-wai and Dr KWOK Ka-ki enquired about commercialization of R&D outcomes of projects funded by ITF.

44. Dr KWOK Ka-ki expressed concern about the Administration's lack of effective policies to support commercialization of R&D outcomes and possible abuse of ITF funds.

45. CIT said that the Administration had adopted measures in the past few years to expand the scope of ITF to provide support to more downstream R&D activities and commercialization of R&D outcomes. In addition to supporting local R&D, ITF would also support projects involving procurement of third party IP. ITF had also been providing funding to the technology transfer offices of universities to support activities on technology transfers. There were safeguards in place to ensure proper assessment of project proposals and prevent abuse.

46. Mr CHUNG Kwok-pun said that R&D outcomes in the textile and apparel industry had made notable progress in commercialization.

47. Ms Cyd HO urged the Administration to consider stepping up its efforts in all R&D centres under ITF to facilitate local production and application of R&D outcomes. CIT said that industry associations and chambers of commerce might participate in PSTS projects by providing trial sites for application of the R&D outcomes. DCIT supplemented that to encourage commercialization, the licensing fees charged by the R&D centres were kept at a very reasonable level.

48. Ms Cyd HO considered that to support commercialization of R&D outcomes genuinely, it was crucial that the Administration provided sufficient land for local production activities making use of these outcomes. CIT took note of Ms HO's view.

Follow-up on Director of Audit's Report No. 61

49. Dr Fernando CHEUNG expressed support for injection of additional funds into ITF in principle, but said that the Administration's efforts in

supporting R&D and related commercialization had not enjoyed notable success. Dr CHEUNG urged the Administration to address the observations and recommendations made by Director of Audit's Report No. 61 ("the Report").

50. CIT said that the Administration had been implementing the recommendations made by the Report to ensure the proper use of ITF funding. DCIT supplemented that for example, in response to the recommendation of the Report, the Administration had reviewed the administrative expenses of R&D centres and found them generally reasonable. Also, the Administration had reviewed and considered that the R&D centres would not be able to achieve self-sustainability in the medium term. Nonetheless, all the R&D centres would be able to achieve the target level of industry contribution at 20% in their second five-year period.

51. Mr LEUNG Kwok-hung criticized that ITF was ineffective in evaluating R&D outcomes of funded projects and as a result, ITF was not cost-effective.

52. CIT said that while ITC had introduced various measures to better support commercialization of R&D outcomes, including the extension of its funding scope to more downstream activities, it would take some time for discernable improvements to be seen. DCIT said that through these measures, the Administration had enhanced support for commercialization of R&D outcomes and better attracted private sector investments in R&D, as well as participation from academic institutions.

53. At 5:20 pm, the Chairman declared that the meeting be adjourned and the Committee would continue with the discussion after a break of 10 minutes.

Legislative Council Secretariat

12 August 2015