

立法會
Legislative Council

LC Paper No. CB(1)439/14-15
(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 16 December 2014, at 2:30 pm
in Conference Room 2 of the Legislative Council Complex

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

Public officers attending : Agenda item IV

Miss Patricia SO
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)³

Ms Ada LEUNG, JP
Director of Intellectual Property

Ms Connie LAW
Acting Assistant Director of Intellectual Property
(Registration)

Miss Magdalene LING
Principal Intellectual Property Examiner

Agenda Item V

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Johann WONG, JP
Deputy Commissioner for Innovation and
Technology

Miss Pamela LAM
Assistant Commissioner for Innovation and
Technology (Policy and Development)

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

Staff in attendance : Ms Connie HO
Senior Council Secretary (1)3

Miss Rita YUNG
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

The Deputy Chairman took over the chair as the Chairman was unable to chair the meeting due to urgent affairs.

- I. **Confirmation of minutes of meeting**
(LC Paper No. CB(1)345/14-15 -- Minutes of meeting held on
18 November 2014)
2. The minutes of the meeting held on 18 November 2014 were confirmed.

II. Information paper issued since last meeting

(LC Paper No. CB(1)340/14-15(01) -- Information paper on "Consultation on a new set of Copyright Tribunal Rules")

3. The Deputy Chairman advised that the Administration had launched a two-month public consultation from 9 December 2014 to 9 February 2015 to invite views on a new set of Copyright Tribunal Rules to modernize the practice and procedures of the Copyright Tribunal. Upon completion of the consultation exercise, the Administration would finalize the Draft Rules for submission to the Chief Justice for consideration. Subject to the making of the new set of the Copyright Tribunal Rules by the Chief Justice pursuant to section 174(1) of the Copyright Ordinance (Cap.528), the Administration planned to introduce the subsidiary legislation into the Legislative Council ("LegCo") for negative vetting in 2015. The information paper provided by the Administration had been circulated to Panel members for reference vide LC Paper No. CB(1)340/14-15(01) issued on 12 December 2014. Members who considered it necessary for the Panel to discuss the matter at its meeting were invited to notify the Secretariat by 19 December 2014. Ms Emily LAU requested that the matter be discussed at a future meeting of the Panel.

(Post-meeting note: Arrangement was being made with the Administration for the above item to be discussed at a future meeting of the Panel.)

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)344/14-15(01) -- List of outstanding items for discussion

LC Paper No. CB(1)344/14-15(02) -- List of follow-up actions)

4. Members noted that the next regular Panel meeting would be held on 20 January 2015 at 2:30 pm to receive briefings by the Secretary for Commerce and Economic Development and the Secretary for Constitutional and Mainland Affairs on relevant policy initiatives in the Chief Executive's 2015 Policy Address.

IV. Review of fees and charges of the Intellectual Property Department

(LC Paper No. CB(1)344/14-15(03) -- Administration's paper on review of fees and charges of the Intellectual Property Department)

Presentation by the Administration

5. At the invitation of the Chairman, the Director of Intellectual Property ("DIP") briefed members on the Administration's proposal to revise the fees as set out in the Registration of Copyright Licensing Bodies Regulation (Cap.528A), the Trade Marks Rules (Cap. 559A), and the Registered Designs Rules (Cap.522A) following a review by the Intellectual Property Department ("IPD") on the costs and fees of services provided by its various registries, namely the Copyright Licensing Bodies, Trade Marks, Designs and Patents Registries. Details of the fee revision proposals had been set out in the Administration's paper (LC Paper No. CB(1)344/14-15(03)).

6. DIP advised that taking into account members' views on the fee revision proposals, the Administration would proceed to prepare for the necessary amendments to the relevant legislation. Members noted that subject to negative vetting of the amendment legislation by the LegCo, the revised fees were expected to be implemented in March 2015.

Discussion

The revised fee proposals

7. Referring to the Administration's observation that there might have been an abuse to some extent of the service of preliminary advice on the registrability of a trade mark and/or search of records on the Register of Trade Marks offered by IPD in recent years, the Deputy Chairman and Mr MA Fung-kwok enquired about the extent of the abuse. As the search of records service should be relatively straightforward when compared with the more complicated and labour-intensive preliminary advice service, Mr MA questioned the rationale for the proposed 100% fee increase for both services, i.e. from \$200 to \$400 for the first class of goods or services. Pointing out that such a drastic fee increase might discourage potential trade mark owners from using the search of records service, Mr MA suggested the Administration to consider devising a more reasonable fee schedule for the service.

8. DIP said that at present, an applicant could make a request for preliminary advice and/or search of records on the Register of Trade Marks covering all 45 classes of goods and services at a flat fee of \$200 respectively. Whilst on average a trademark was registered under two classes of goods and services, about 6% of the requests for preliminary advice and/or search of records on the Register of Trade Marks received by IPD from 2010 up to October 2014 covered more than 6 classes of goods and services. This would drain IPD's stringent manpower resources that could be deployed for the provision of other essential services, such as processing applications for trade mark registration. Although the abuse of the

search of records and/or preliminary advice services was not too serious at the moment, to better reflect the actual cost of providing the services and to address the possible abuse, it was considered necessary to double the fee of the two services and to charge a new fee of \$200 for each additional class of goods or services in respect of request for search of records and/or preliminary advice.

9. DIP said that the costs of providing the search of records service was in fact much higher than the fee charged as trade mark examiners were required to examine whether the trade mark in question was similar to any trade mark on record (whether registered or pending registration) in the same or similar class of goods or services in accordance with the Trade Marks Ordinance (Cap. 559). On the provision of preliminary advice service, trade mark examiners were required to advise on whether the trade mark in question was sufficiently distinctive to distinguish the applicant's goods and services from those of other traders. DIP said that under the new fee proposal, the total fee for a request for search of records and preliminary advice for a trade mark covering two classes of goods and services was \$1,000. Principal Intellectual Property Examiner added that apart from the above fee-charging search of records service, IPD had also been providing an online facility for trade mark owners to search trade mark records via the Internet free of charge.

10. In response to Mr CHUNG Kwok-pan's enquiry about the trade mark application fees in other jurisdictions, DIP advised that fees charged by trade mark registries in Singapore, Australia and the United Kingdom ("UK") for paper applications were as follows:

	Application fee for the first class of goods and services	Application fee for each additional class of goods and services
Hong Kong (proposed fees)	\$2,000	\$1,000
Singapore	about \$2,300	about \$2,300
Australia	about \$1,500	about \$1,500
UK	about \$2,500	about \$600

The Administration's proposed fees would still be generally lower than those charged for similar services in these countries.

11. Mr CHUNG Kwok-pan remarked that trade mark related fees in Australia and UK, though higher than those in Hong Kong, might be higher in value as these countries had a much larger geographical area compared to Hong Kong which was

just a small city. In response to Mr CHUNG's enquiry, DIP clarified that trade mark registrations in the UK did not concurrently cover other members countries of the European Union.

12. Mr Martin LIAO indicated his support for the fee revision proposals. Noting that the proposed trade mark application fees were the lowest among UK, Singapore and Australia, Mr LIAO considered that there was still room for further fee adjustment. He asked whether the Administration would consider further increasing the relevant fees.

13. DIP responded that the Trade Marks Registry would be able to achieve 100% cost recovery after the proposed fee revisions. The IPD would conduct an annual review on the cost recovery ratio and sought further revisions when necessary. Meanwhile, IPD would continue to explore measures to enhance efficiency so as to reduce or contain the costs of service as far as possible.

Subsidies for trade mark, design and patent registrations

14. Ir Dr LO Wai-kwok supported the fee revision proposal. He said that he had no objection to adopting the "user pays" principle to recover the full cost for various services provided by IPD. To complement the Administration's policy on promoting the development of Hong Kong into a knowledge-based economy, Ir Dr LO opined that the Administration should put in place measures to encourage the creation, use and protection of intellectual property, such as subsidizing local enterprises to pursue the relevant registrations. He enquired about the existing policies and measures to help local enterprises, in particular small and medium enterprises, to pursue registration of trade marks, designs and patents in order to protect their intellectual work and inventions.

15. DIP responded that it was a common practice in overseas jurisdictions to provide subsidies for patent registrations but not trade mark and design registrations. Similarly, whilst the Administration had not provided any subsidy for trade mark and design registrations, a Patent Application Grant scheme was in place to assist local companies and individuals who had never owned a patent before to make their first application for patent registration. A maximum grant of not more than \$150,000 was provided for each application. Moreover, the costs incurred in registration of patents, trade marks and designs were tax deductible.

16. The Chairman supported raising the existing fees charged by IPD for its various services as some fees had not been adjusted for over a decade. However, in view that protection of intellectual property rights was the corner stone for the development of the creative industries, he expressed concern that the proposed 100% fee increase for some items might discourage potential applicants from seeking registration of their intellectual property rights which would in turn

undermine the Administration's efforts in promoting the development of the creative industries. He suggested that the Administration should consider reducing the rate of fee increase and called on the Administration to review the funding ceiling and scope of the existing subsidy.

17. DIP advised that the Administration had made reference to the fees charged by overseas trade mark registries with a regime similar to Hong Kong when formulating the revised fee proposals. She highlighted that the proposed revised fees would remain competitive when benchmarked against fees charged by trade mark registries in the UK, Australia and Singapore with a regime similar to Hong Kong. The IPD had consulted users on the fee revision proposals and they indicated no strong objection to the proposed fees.

18. DIP further said that as over 60% out of an average of some 34 000 trade mark applications received by the Trade Marks Registry annually were overseas applications, the Administration had to take into account the relevant fees at the international level when determining the fee level in Hong Kong. The Administration would take into account members' views in reviewing the need of Hong Kong businesses for assistance as appropriate in future. The Chairman instructed to put this on record.

Promoting electronic filing of applications

19. The Deputy Chairman noted that IPD would achieve break even with the implementation of the proposed fee revision which would bring in an estimated net increase of about \$22 million in annual revenue. In this connection, the Deputy Chairman enquired whether the Administration would consider introducing measures to encourage electronic filing of applications to further reduce the operating costs of its Trade Marks, Designs and Patents Registries, thereby reducing the pressure for further fee increases.

20. DIP responded that the IPD had been promoting electronic filing of applications since the introduction of the e-filing service in 2003. While the IPD had not provided preferential fee schedules for electronic applications, technical support had been rendered to applicants who submitted a large number of applications online. At present, electronic submissions accounted for about 50% of the total number of trade mark applications received, and close to 70% for some registries. The Finance Committee had approved a funding of \$67,114,000 in July 2014 for the redevelopment of the Electronic Processing System, E-filing System and Online Search System of IPD. The relevant project would further enhance the efficiency of IPD and facilitate the filing of electronic applications. IPD would continue its efforts in promoting e-filing of applications in the future.

Summing up

21. The Deputy Chairman concluded that members of the Panel supported in principle the Administration's fee revision proposals as set out in the paper. He urged the Administration to take note of members' views expressed at the meeting and proceed with the legislative amendments expeditiously so that the revised fees, subject to negative vetting of the amendment regulation by the LegCo, could be implemented in March 2015 as proposed.

V. Launching of a new Enterprise Support Scheme to replace the Small Entrepreneur Research Assistance Programme under the Innovation and Technology Fund

(LC Paper No. CB(1)344/14-15(04) -- Administration's paper on launching of a new Enterprise Support Scheme to replace the Small Entrepreneur Research Assistance Programme under the Innovation and Technology Fund

LC Paper No. CB(1)344/14-15(05) -- Paper on launching of a new Enterprise Support Scheme to replace the Small Entrepreneur Research Assistance Programme under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

22. At the invitation of the Deputy Chairman, Commissioner for Innovation and Technology ("CIT") briefed members on the details of the proposed Enterprise Support Scheme ("ESS") which was set up to replace the Small Entrepreneur Research Assistance Programme ("SERAP") under the Innovation and Technology Fund ("ITF"). Details of the ESS, including its key features, scope and funding arrangements, benefit-sharing model etc., were set out in the Administration's paper (LC Paper No. CB(1)344/14-15(04)).

23. CIT highlighted that the ESS aimed to address the limitations of SERAP and to encourage more private sector investment in innovation and technology ("I&T"). Under the new ESS, companies registered in Hong Kong, regardless of size, would be eligible to apply for funding to conduct in-house research and development ("R&D") projects. The ESS would provide funding of up to

\$10 million for each approved project on a dollar-for-dollar matching basis. Upon completion of an ESS project, the recipient company could also apply for cash rebate equivalent to 30% of its expenditure in the ESS projects under the R&D Cash Rebate Scheme.

Discussion

Support for technology-based small and medium enterprises ("SMEs") and start-ups

24. The Deputy Chairman, Mr Charles MOK, Ir Dr LO Wai-kwok, Dr LAM Tai-fai and Dr CHIANG Lai-wan supported in principle the Administration's objective of encouraging more private sector investment in I&T and R&D. The Deputy Chairman, along with Mr Charles MOK, Dr LAM Tai-fai and Dr CHIANG Lai-wan noted that unlike SERAP that focused its support for in-house R&D conducted by small technology-based enterprises, ESS would be open to applications by all companies registered in Hong Kong, regardless of size. Members were deeply concerned that small technology companies which were mostly small and medium enterprises ("SMEs") might be less competitive than large companies when applying for the ESS. Pointing out that large companies were more resourceful and might stand a better chance of successful commercialization, Dr LAM Tai-fai was concerned that more established company applicants might take away the bulk of the funding, depleting the ESS fund pool quickly at the expense of SME applicants.

25. To ensure that adequate support would be provided to SMEs and start-ups, and that they would not lose out to large companies when applying for the ESS, Mr Charles MOK and Dr LAM Tai-fai suggested that the Administration should consider allocating to SMEs and start-ups a certain percentage of approved projects, and draw up objective and concrete assessment criteria taking into account the needs and special circumstances of SMEs. Dr LAM Tai-fai strongly urged the Administration to refine the details of the ESS to address members' concerns, and consider implementing separate funding schemes for SMEs and large companies respectively. Dr CHIANG Lai-wan opined that while retaining SERAP to provide focused support for SMEs and start-ups, the Administration could offer financial rewards to large companies that had made significant achievements in their R&D work instead of providing direct funding support to these companies.

26. In response, CIT said that under ESS, there would not be a quota on the number of applications to be processed or the amount of funding to be approved. Therefore the support for SMEs would not be reduced even though large companies would be eligible to apply for the ESS funding. All applications that had met the assessment criteria of ESS would be approved, regardless of the size

of the applicant companies. CIT highlighted that every application, be it from a large or small company, would be assessed on its own merits, and the assessment criteria would include the I&T component and commercial viability of the projects among others. Due attention would be given to quality proposals submitted by small technology companies and start-ups.

27. CIT further said that the policy objective of the ESS was to provide stronger incentives for companies, regardless of size, to conduct in-house R&D activities. That would in turn encourage more private sector expenditure on R&D in Hong Kong. She pointed out that more established companies, which had relatively more financial and human resources as well as international perspectives, could play an important role in cross fertilization of ideas and driving innovation, and create more job opportunities for local science, engineering and technology graduates. The Administration would monitor the situation closely after the launch of the ESS, including the caseload, the approval rate of the application, the funding amount approved, etc. It would also review the ESS in due course and put in place enhancement measures as necessary.

28. Deputy Commissioner for Innovation and Technology ("DCIT") supplemented that as at 31 October 2014, over 70% of the 1 836 SERAP applications received by the Administration involved SERAP funding support below \$2 million. The Administration welcomed SMEs to apply for the ESS in future to conduct similar small scale projects.

29. Referring to SERAP under which the funding ceiling for each project was capped at \$6 million, Mr CHUNG Kwok-pan enquired whether the recipient companies were eligible to apply for more funding under SERAP to pursue further stages of commercialization of the project deliverables provided that the total funding applied for each project was below \$6 million and if yes, the number of recipient companies in this category. The Administration was requested to provide the information after the meeting.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)443/14-15(01) on 15 January 2015.)

Assessment of ESS applications and control of approved projects

30. Relaying the industry's views that members of the SERAP Project Assessment Panel might not be the experts familiar with the specific area of the projects concerned, Mr Charles MOK enquired about the assessment mechanism of the ESS, and whether an appeal mechanism would be provided for unsuccessful applicants. DCIT responded that the Innovation and Technology Commission ("ITC") would set up ESS project assessment panel, comprising experts from the

academia, industry, venture capital, etc. to ensure a fair and balanced assessment of applications. Based on the assessment criteria, the project assessment panel would put its recommendations to CIT, who would then consider whether the applications should be approved. Although there would not be any appeal mechanism, ITC would pass on the project assessment panel's comments to the unsuccessful applicants, who could revise and resubmit their applications if they so wished to the project assessment panel for consideration.

31. Ir Dr LO Wai-kwok enquired about the fund disbursement arrangement and control mechanism of the ESS. While supporting the new ESS as a more flexible and generous scheme, Ir Dr LO said that the Administration should follow up on and evaluate the progress of the projects to ensure proper use of public funds. CIT advised that all approved projects would be monitored by ITC against the milestones stated in the applications. Recipient companies had to submit progress reports every six months until project completion. Funding would normally be disbursed to each recipient company by half-yearly instalments. The amount of each instalment would be based on the estimated cash flow of the project. Funds would be disbursed only upon confirmation of the availability of the matching fund from the recipient company and satisfactory completion of the project milestones. Upon completion of the projects, recipient companies would also be required to submit audited accounts of the projects to ITC.

32. Dr CHIANG Lai-wan enquired about the current financial position of the ITF, as well as the estimated caseload and funding requirements of ESS. CIT responded that as at end-September 2014, the uncommitted balance of the ITF was about \$0.2 billion. According to the Administration's latest cash flow forecast, the uncommitted balance of the ITF would be fully committed around mid 2015. The Administration would consult the Panel on the future financial arrangements of the ITF in due course. As regards the ESS, CIT said that since it was a new scheme, it might not be possible to give an accurate estimate of the caseload and funding requirement at this stage. Similar to SERAP and other funding programmes under ITF, the Administration did not propose to restrict the number of applications to be processed each year. The actual amount of funds approved would depend on the number of applications approved. CIT supplemented that paragraph 29 of the Administration's paper provided indicative figures of estimated ESS applications and estimated funds to be approved in 2015 and 2016.

Commercialization of R&D projects

33. Dr LAM Tai-fai enquired about the number of successful cases of commercialization of SERAP projects, and whether the Administration had set any performance indicators in terms of success rate of commercialization of project deliverables for the ESS. Noting that there would be no requirement for recoupment of Government's contribution under ESS, the Deputy Chairman was

concerned whether the success rate of commercialization of the approved ESS projects would be lowered. Ir Dr LO Wai-kwok was keen to ensure that the ESS would help improve the chance of successful commercialization of the deliverables of the R&D projects in the private sector.

34. In response, DCIT advised that as at end October 2014, there were 394 approved SERAP projects, around 240 of which had successfully produced prototypes/samples or developed new technologies. For example, an entrepreneurial integrated circuit ("IC") engineer had developed a high-speed microprocessor that helped the company grow from a single person company to a strong company with several hundred employees. The company was now a market leader providing one-stop IC design solutions and generating an annual revenue of some \$800 million. Another SERAP recipient company started by a university graduate had developed some technologies of unmanned aerial vehicles. The company had also grown into a market leader.

35. CIT further advised that the policy intention of replacing SERAP with ESS was to create a "rainforest" of technology companies. ESS would help lower the entry barrier for technology start-ups and SMEs to further their applied R&D efforts for translating the technology to marketable products or services, and help reduce the consequence of failure. If a recipient company succeeded, it would be a positive indication of the effectiveness of the Administration's support measures, and precious experience would be gained by all stakeholders regardless of the eventual commercial outcome. DCIT added that the Administration hoped that the chances of successful commercialization of approved projects would be increased after the launch of the ESS. Multinational corporations or larger companies might be more willing to leverage on the ESS support and undertake R&D projects in Hong Kong. As these more established companies usually had a better handle of market needs and hence would be able to plan their technology rollout accordingly, their R&D projects might stand a better chance of successful commercialization, thus benefiting Hong Kong as a whole.

36. Ir Dr LO Wai-kwok declared that he was a member of the Board of Directors of the Hong Kong Science and Technology Parks Corporation ("HKSTPC"). To increase the chance of successful commercialization of the approved ESS projects, Ir Dr LO pointed out that apart from financial support, the Administration should consider providing sustained professional support, such as arranging some experienced industry players to provide technical and management advice as appropriate, for the SMEs and start-ups receiving the ESS funding.

37. CIT took note of Ir Dr LO Wai-kwok's views. She responded that HKSTPC operated incubation programmes to nurture technology start-up companies. The incubation programmes provided subsidized office premises, shared-use laboratories and equipment, as well as management, marketing,

financial and technical assistance in the critical initial stage of these companies. SMEs and start-ups that received ESS support might also join the incubation programmes if they satisfied the prevailing admission criteria. The Administration would work out details of interfacing with HKSTPC in due course.

Benefit-sharing model and recoupment requirement

38. Ir Dr LO Wai-kwok sought clarification on the benefit-sharing arrangement of the ESS. CIT responded that benefit-sharing would not be mandatory under the ESS in order not to discourage private sector from investing in R&D. However, if an ESS applicant was confident with its commercial prospects and offered benefit-sharing, this would be taken into account in assessing the application. There would not be any pre-determined formulae for the benefit-sharing. Applicant companies would have the flexibility to propose payment terms that suited their circumstances, such as fixed payments within a limited period after commercialization of the project deliverables.

39. Mr CHUNG Kwok-pan expressed concern that since ESS had no mandatory recoupment requirement, some applicant companies might lack the driving force to pursue successful commercialization of their projects vigorously. Sharing a similar view, Dr CHIANG Lai-wan was concerned that without a recoupment requirement, the ESS funds might be expended without generating actual economic contributions to Hong Kong. Mr CHUNG Kwok-pan shared with members that Finland had implemented a funding scheme similar to the ESS, but with a recoupment requirement to encourage more private sector I&T investment. That said, the Finland authorities had the discretion to waive the recoupment requirement for certain cases with justifiable reasons.

40. In response, CIT reiterated that the Administration hoped that the ESS would help encourage more private sector investment in R&D in Hong Kong. Stronger private sector involvement in R&D would help build a healthier ecosystem for I&T development. Without the recoupment requirement, the Administration would be able to create a more favourable environment to encourage the private sector to invest in in-house research. This would lead to an increase in the quantity of R&D projects, and more success stories might emerge when there was a critical mass of start-ups and technology companies. A mandatory recoupment and benefit-sharing requirement would render ESS a loan not dissimilar to SERAP and reduce its intended effectiveness. DCIT supplemented that similar funding schemes in the United States, the United Kingdom and Australia had no recoupment requirement or benefit-sharing arrangements.

Timetable for the launching of the ESS

41. Mr Charles MOK enquired about the timetable for the launching of ESS. He pointed out that in view of Administration's proposal to set up the ESS, some companies were facing a difficult choice in the interim between submitting funding applications under SERAP or to wait for the new ESS. Mr MOK also enquired about the transitional arrangement between the two funding schemes, and called on the Administration to consider allowing recently approved SERAP cases and the SERAP applications being processed to be converted to ESS in future.

42. CIT responded that SERAP would continue to be in operation before the launching of the ESS and the existing SERAP cases would be handled under the existing rules. Upon the launching of ESS, new SERAP applications would no longer be accepted. SERAP applicants awaiting approval would be notified of the launch of the ESS, and briefings would be arranged for potential ESS applicants on the features and operation of the ESS in early 2015. CIT advised that companies could withdraw their SERAP applications any time and submit new ones under ESS. The application procedures of the ESS would be similar to those of the existing SERAP. Hence, there should not be much problem. Subject to the Panel's support, ITC would like to launch ESS as early as possible after the preparatory work has been completed. The target date for launching the ESS was the first quarter of 2015.

Recoupment of Government's contribution to SERAP projects

43. The Deputy Chairman and Dr CHIANG Lai-wan noted with concern that over the years, whilst a total of 394 approved SERAP projects received funding support amounting to \$471 million, only some \$25 million had been recouped, representing a meagre 5% of the total SERAP approved funding. They enquired about the Administration's follow-up actions on the handling of these long outstanding SERAP projects which had yet to fulfill the recoupment requirement.

44. In response, DCIT advised that according to the SERAP Guidelines and Fund Agreement, SERAP recipient companies were required to report to ITC and make recoupment payments arising from revenue generated from SERAP deliverables and third party investments until Government's contribution was repaid in full. There were practical problems in recovering Government funds, such as recipient companies' delay or failure in reporting project revenue and third party investment, and in making recoupment payments. To follow up on the Audit Commission's recommendations on the recoupment of Government's contributions to SERAP projects as set out in the Director of Audit's Report No. 61, ITC would review the outstanding SERAP cases by adopting a balanced approach to adequately protect the interests of the Government on the one hand, while acting appropriately and sympathetically to the companies concerned on the other.

Summing up

45. The Deputy Chairman called on the Administration to take note of members' views on the ESS, in particular their concerns about the provision of focused support for small technology companies and start-ups, as well as the suggestions of allowing existing SERAP cases to be converted to the ESS. CIT agreed and thanked members' valuable views. She added that the Administration planned to launch the ESS in early 2015 and would monitor and review its implementation, and report the implementation progress to the Panel in due course.

VI. Any other business

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

Council Business Division 1
Legislative Council Secretariat
19 January 2015