

立法會
Legislative Council

LC Paper No. CB(1)1223/14-15
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 16 June 2015, at 2:30 pm
in Conference Room 3 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 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)

Agenda item V

Miss Kathy CHAN Nap-sze
Principal Assistant Secretary for Commerce &
Economic Development (Commerce & Industry) 5

Mr Kenneth MAK, JP
Director-General of Trade and Industry

Ms Belinda WONG Yuen-yung
Assistant Director-General of Trade and Industry
(Industries Support)

**Attendance by
invitation**

: Agenda Item IV

Hong Kong Automotive Parts and Accessory Systems
R&D Centre

Dr Lawrence CHEUNG
General Manager

Hong Kong Applied Science and Technology Research
Institute

Dr Frank TONG
Chief Executive Officer

Hong Kong Research Institute of Textiles and Apparel

Mr Edwin KEH
Chief Executive Officer

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

Mr Simon WONG
Chief Executive Officer

Nano and Advanced Materials Institute

Dr Vincent LI
Director of Business Development

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

Staff in attendance : Miss Rita YUNG
Senior Council Secretary (1)8

Ms May LEUNG
Legislative Assistant (1)3

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- Action
- I. Confirmation of minutes of meeting**
(LC Paper No. CB(1)969/14-15 -- Minutes of meeting held on 21 April 2015)
- The minutes of the meeting held on 21 April 2015 were confirmed.
- II. Information papers issued since last meeting**
(File Ref: CITB CR 75/53/5/1 -- Legislative Council Brief on United Nations Sanctions (South Sudan) Regulation)
2. Members noted that the above paper had been issued since last meeting.
- III. Date of next meeting and items for discussion**
(LC Paper No. CB(1)971/14-15(01) -- List of outstanding items for discussion)
- LC Paper No. CB(1)971/14-15(02) -- List of follow-up actions)
3. Members noted that the next regular Panel meeting would be held on 21 July 2015 at 2:30 pm to discuss the following items proposed by the Administration:
- (a) Trade relations between the Mainland and Hong Kong; and

- (b) Progress of negotiations under the World Trade Organization and on other plurilateral trade agreements.

IV. Progress report of Research and Development ("R&D") Centres 2014-2015 cum comprehensive review on R&D Centres for 2011-2012 to 2014-2015

(LC Paper No. CB(1)971/14-15(03) -- Administration's paper on "Progress Report of Research and Development ("R&D") Centres for 2014-2015 cum Comprehensive Review on R&D Centres for 2011-2012 to 2014-2015"

LC Paper No. CB(1)971/14-15(04) -- Paper on Research and Development Centres set up under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Commissioner for Innovation and Technology ("CIT") briefed members on the progress of the Research and Development ("R&D") Centres set up under the Innovation and Technology Fund ("ITF") in the year of 2014-2015, the findings of a comprehensive review on the operation of the R&D Centres from 2011-2012 to 2014-2015, and the funding proposal to extend the operation of the four ITF-funded R&D Centres for four more years until 31 March 2021. Details were set out in the Administration's paper (LC Paper No. CB(1)971/14-15(03)).

5. Members were then shown a 10-minute video presentation featuring the major projects/achievements of the R&D Centres.

Discussion

Operating expenditure of the R&D Centres

6. Mr Charles MOK referred to the feedback from some staff of the R&D Centres about the operational difficulties of having to obtain approval for funding under the ITF which might hinder the smooth operation of the R&D Centres. He

opined that while it was essential to monitor the performance and review the operation of the R&D Centres to ensure proper use of public funds, the Administration should avoid micro-managing the operation of the R&D Centres.

7. CIT took note of Mr Charles MOK's views. She said that the Innovation and Technology Commission ("ITC") had been facilitating the smooth operation of the R&D Centres while maintaining adequate monitoring of their performance and operation through promulgation of guidelines on different areas, such as procurement policy and arrangements pertaining to intellectual property and related matters for ITF-funded projects. CIT added that flexibility would also be exercised to expedite the procedures and facilitate the operation of the R&D Centres in special circumstances.

8. Ir Dr LO Wai-kwok declared that that he was a non-remunerated member of the Board of Directors of the Nano and Advanced Materials Institute ("NAMI") and the Hong Kong Science and Technology Parks Corporation respectively. He was pleased to note that the Hong Kong Applied Science and Technology Research Institute ("ASTRI") had performed well in commercialization of R&D outcomes and technology transfer to the industry in recent years, and had conducted a wide array of promotional activities and proactively reached out to its stakeholders in Hong Kong, the Mainland and overseas. Ir Dr LO noted that the operating expenditure of ASTRI had dropped 5% from \$129.5 million in 2013-2014 to \$123 million in 2014-2015, while its R&D expenditure had increased by 3% from \$230.5 million in 2013-2014 to \$236.9 million in 2014-2015. As at end-March 2015, the staffing strength of ASTRI was 512 while it had an establishment of 563. He sought elaboration on the change in the operating expenditure and R&D expenditure in 2014-2015, and enquired whether ASTRI had faced any difficulties in recruiting staff.

9. In response, Chief Executive Officer, ASTRI advised that following his assumption of office in September 2014, ASTRI had undergone a reorganization to streamline its organization structure, administrative functions and operation process, thereby reducing its recurrent operating expenditure. He added that ASTRI had identified four technologies for major pursuit, namely financial technologies, intelligent manufacturing initiative, next generation network, and medical and health initiative. ASTRI also hosted the Hong Kong Branch of the Chinese National Engineering Research Centre dedicated for integrated circuit design. In the coming years, ASTRI intended to develop several mega integrated circuit projects with a view to drawing interest at the national level. Upon the completion of the reorganization, ASTRI would continue its staff recruitment, in particular for R&D talents in the field of financial technologies and intelligent manufacturing initiative.

10. Mr MA Fung-kwok expressed concern about the Administration's

observation that the total operating expenditure of the R&D Centres constituted a sizeable proportion of their annual R&D expenditure. He urged the R&D Centres to proactively explore ways to lower the operating expenditure and increase the commercialization income so as to enhance their cost-effectiveness.

11. In response, Assistant Commissioner for Innovation and Technology (Funding Schemes) advised that apart from the cost for administrative support which comprised expenses related to the operation the R&D Centres' headquarters including electricity, other utilities, accommodation cost, salaries and related costs for administration colleagues, the operating expenditure of the R&D Centres also covered expenditure for direct research which included conducting basis research to build up their technological capability and determine their future R&D focuses, expenses related to commercialization and marketing which included building network with the relevant industry and stakeholders and disseminating their R&D outcomes, etc. At the request of Mr MA Fung-kwok, the Administration undertook to provide the breakdown of operating expenditure of the five R&D Centres, including the cost of providing administrative support and the respective ratio of the cost of administrative support to the annual R&D expenditure of each R&D Centre in 2014-2015.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)1130/14-15(01) on 20 July 2015.)

Commercialization and technology transfer to the industry

12. Mr Charles MOK was pleased to note that the R&D Centres had been taking an active role in promoting the use of R&D results in the public sector through the Public Sector Trial Scheme which would benefit the community. He called on the R&D Centres to also actively promote the relevant technologies to the industries and foster commercial application of the R&D deliverables in the private sector. Deputy Commissioner for Innovation and Technology responded that the R&D Centres were set up to drive and co-ordinate applied R&D in selected focus areas and to promote commercialization. In recent years, the R&D Centres had become more proactive in reaching out to and engaging industry partners in conducting collaborative projects, which had a higher chance for the project outcomes to be adopted by the industry partners who would be responsible for commercializing the project outcomes. For example, ASTRI had been actively pursuing collaborations with large enterprises to set up joint R&D facilities in order to create a bigger impact to the industry in commercialization and technology transfer.

13. Dr CHIANG Lai-wan said that the Democratic Alliance for the Betterment and Progress of Hong Kong supported the proposal to extend the operation of the

R&D Centres to 31 March 2021. She urged ASTRI and the R&D Centres to put stronger emphasis on collaboration with the industry and to continue to conduct more demand-driven applied R&D projects to facilitate technology transfer to the industry. She also suggested visiting ASTRI to better understand its latest achievements and future plans. The Chairman instructed the Secretariat to liaise with the Administration for appropriate arrangement in the next legislative session.

Secretariat

14. Chief Executive Officer, ASTRI said that ASTRI had been making steady efforts to enhance collaboration with the industry and foster commercialization of R&D outcomes and technology transfer to the industry. The income received from industry contribution, contract research services, licensing fees and royalties had been increasing in recent years. He highlighted that on financial technologies, ASTRI was mainly focusing on network security, big data analytics, and mobile platform technologies. ASTRI had launched the ASTRI Security Laboratory to share security information and to serve local financial institutes and the Government. On intelligent manufacturing initiative, the robotic vision technology developed by ASTRI, of which application varied widely, was widely adopted by the industry. ASTRI had also been actively exploring partnership with companies in Hong Kong and the Mainland. For example, ASTRI had commenced a collaborative project "Bamboo: A Big Data Analytics Platform" with HP Hong Kong. The project aimed to provide an easy-to-use Big Data Analytics platform for enterprises. The beta version of the platform had attracted quite a lot of customers' interests worldwide.

15. Mr CHUNG Kwok-pan enquired about the progress of commercialization of projects or technologies of various R&D Centres, including "Made by Hong Kong" eBus, Uniform for Marine Division of the Hong Kong Police Force, Rapid Swine Influenza Virus Detection and Bacteria-killing and Viruses-trapping Protective Masks. Pointing out that the first Hong Kong-developed electric vehicle "My Car" of the Hong Kong Polytechnic University had not been successfully commercialized in the local market, Mr CHUNG expressed particular concern about the "Made by Hong Kong" eBus project.

16. General Manager, Hong Kong Automotive Parts and Accessory Systems R&D Centre ("APAS") advised that the "Made by Hong Kong" eBus project was a collaborative project with industry contribution of around \$20 million. The project aimed at building the first "Made by Hong Kong" pure electric bus with local R&D capability. Two single-deck eBuses were designed for the Mainland (Left-Hand-Drive) and Hong Kong (Right-Hand-Drive) respectively. Assembly of both eBuses had been completed. Functional verification and test had been completed successfully in the Mainland while application had been made to the Hong Kong Transport Department for the movement permit for the Right-Hand-Drive eBus. A local franchised bus operator and a number of municipal Governments in the Mainland had already expressed interests in

undertaking trials for the eBuses. The project sponsor had a holistic plan for the promotion and commercialization of eBus after project completion at the end of 2015.

17. Director of Business Development, NAMI explained that the nano fibre technology developed by NAMI had been adopted by industry sponsors to develop the Bacteria-killing and Viruses-trapping Protective Masks and wound dressing materials. The industry sponsor for Rapid Swine Influenza Virus Detection project was now undergoing scale up production and preparing for applying certification of the product.

18. Chief Executive Officer, Hong Kong Research Institute of Textiles and Apparel ("HKRITA") advised that HKRITA partnered with the Marine Division of the Hong Kong Police Force to develop duty uniforms and extreme condition gears. These included heat management uniforms, and cooling and moisture management apparel systems. It was expected that the uniforms would provide better thermal comfort and quick dry functions to Marine Police officers working under harsh weather conditions at sea on open deck ships. An international sportswear brand had contacted HKRITA and indicated interests in commercialization of the relevant technologies. Chief Executive Officer, HKRITA further said that a technology innovation company located in the Hong Kong Science Park had licenced the fabric sensor technology developed by HKRITA to develop and produce i-shoe for monitoring foot pressure of diabetic patients.

19. Dr LAM Tai-fai commended the achievements of the Taiwan Textile Research Institute ("TTRI"), which he had visited earlier, in commercialization of R&D outcomes. He said that many companies had co-operated with TTRI and adopted its technologies. He urged the R&D Centres to step up their efforts in promoting project technologies to the industries and foster commercialization of R&D outcomes, thereby generating commercial benefits for the commerce and industry sectors in Hong Kong. He also highlighted the importance of setting quantifiable commercialization targets as success indicators to evaluate the performance of the R&D Centres.

20. In response, CIT advised that the number of licensing deals and commercialization income generated from licensing fees, royalty and contract services received by the R&D Centres had started to increase in recent years. Following the completion of an increasing number of R&D projects in the coming few years, the R&D Centres would become more mature in driving commercialization of R&D outcomes. Apart from monitoring closely the progress of commercialization of the R&D Centres, the Administration would, having regard to the future development of the R&D Centres, review whether other relevant performance indicators should be set to evaluate R&D Centres'

performance on R&D achievements, collaboration with the industry, commercialization and technology transfer, etc.

21. Chief Executive Officer, ASTRI supplemented that in the 4-year period from 2011 to 2015, ASTRI had received a total commercialization income of \$96.2 million. While continued serving small and medium enterprises, ASTRI would actively pursue collaboration with larger scale enterprises, and establish long-term partnerships with strategic players, so as to create the biggest impact to the industry in commercialization and technology transfer.

22. Chief Executive Officer, HKRITA said that HKRITA's close collaboration with the industry was evident in the growing number of collaborative projects and technology licences that it had concluded with its industry partners. HKRITA was in the process of finalizing an agreement with an international brand to collaborate in conducting R&D in the coming six years. He added that over the years, HKRITA had won 16 medals, including seven Gold medals from the International Exhibition of Inventions of Geneva, which was one of the most significant international invention events.

23. In response to Mr MA Fung-kwok's enquiry about the R&D projects to support Hong Kong's athletes, Chief Executive Officer, HKRITA advised that HKRITA had worked with the Hong Kong Sports Institute and developed high performance rowing speed suits for the Hong Kong Rowing Team participated in the 2014 Asian Games. HKRITA was now focusing on developing new gears for Hong Kong athletes who would take part in the 2016 Olympic Games. Another important focus for HKRITA was the implementation of a host of projects under the theme of "2020 High Performance" for use in the Tokyo 2020 Olympics. HKRITA would engage in a series of research around the assessment of apparel system performance and in the engineering of high performance apparel and footwear for competition, etc.

Development of innovation and technology in Hong Kong

24. Mr Andrew LEUNG affirmed the role of the R&D Centres as the focal point for technology collaboration among the Government, industry, academia and research sector, and expressed support for the extension of the operation of the R&D Centres for four more years until 31 March 2021. He enquired how the proposed Innovation and Technology Bureau could facilitate the further development of innovation and technology in Hong Kong.

25. In response, CIT said that the ratio of private sector investment in R&D and technology in Hong Kong had been relatively low as compared with most competitive economies. Stronger private sector involvement in R&D would help build a healthier ecosystem for development of innovation and technology. To

help motivate more private companies to invest in R&D and technology in Hong Kong, the Enterprise Support Scheme, which aimed to create a "rainforest" of technology companies, help lower the entry barrier for technology start-ups and help reduce the consequence of failure, was launched in April 2015. CIT further advised that a new Innovation and Technology Bureau, with a more focused portfolio and dedicated high level leadership, would facilitate stronger policy co-ordination within the Government and across the innovation and technology industries and other stakeholders. A dedicated bureau would also help enhance co-operation among Government bureaux/departments/industries in promoting the use of R&D Centres' deliverables in the public sector and various industries.

26. Mr Charles MOK enquired how ITC, in its role of promoting the development of innovation and technology in Hong Kong, could complement government policy implementation in areas such as the development of financial technologies and the "Smart City" initiative. CIT responded that ITC had maintained regular communication with other bureaux. For example, she was an official member of the Steering Group on Financial Technologies ("Steering Group") established by the Financial Services and the Treasury Bureau in March 2015. ITC had briefed members of the Steering Group on the role of the ITF in promoting the development of innovation and technology in Hong Kong, including development of financial technologies. CIT further advised that ITC and the Development Bureau had identified opportunities in R&D in relation to smart city technologies. She had also met with officials of the Energizing Kowloon East Office and briefed them on the role, funding scope and operation of the ITF.

Summing up

27. The Chairman concluded that the Panel supported in principle the Administration's funding proposal to extend the operation of the R&D Centres for four more years until 31 March 2021.

28. The Chairman noted that this would be CIT's last meeting with the Panel before her retirement in July 2015. On behalf of the Panel, the Chairman commended CIT for all her hard work and achievements in her term. CIT thanked Panel members for their support and advice that had greatly facilitated the smooth operation of her office and the work of her colleagues in promoting the development of innovation and technology in Hong Kong.

V. Increase in commitment and enhancement measures for SME Development Fund and SME Export Marketing Fund

(LC Paper No. CB(1)971/14-15(05) -- Administration's paper on "Funding Injection and Enhancement Measures for SME Development Fund and SME Export Marketing Fund"

LC Paper No. CB(1)971/14-15(06) -- Paper on the increase in commitment and enhancement measures for SME Development Fund and SME Export Marketing Fund prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

29. At the invitation of the Chairman, Director-General of Trade and Industry ("DGTI") briefed members on the Administration's proposal to inject \$1.5 billion into the SME Export Marketing and Development Funds and implement enhancement measures for the SME Development Fund ("SDF") and the SME Export Marketing Fund ("EMF") announced by the Financial Secretary in the 2015-2016 Budget. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)971/14-15(05)). DGTI said that the Administration planned to seek the funding approval of the Finance Committee in July 2015, with a view to implementing the enhancement measures within three months after the approval. The increased commitment was expected to sustain the operation of the two funds until around 2020 taking into account the proposed enhancement measures.

Discussion

SME Export Marketing Fund

30. Mr Charles MOK noted with concern that only 235 small and medium enterprises ("SMEs") had fully utilized the additional \$50,000 up to end April 2015 since the maximum cumulative amount of EMF grants for each SME was increased from \$150,000 to \$200,000 in June 2013. He enquired whether the Administration had reviewed the reason for such low utilization. Mr CHUNG Kwok-pan welcomed the Administration's proposal to slightly relax the condition of use of the additional \$50,000 of the maximum cumulative amount of EMF by allowing an SME to use the additional amount towards any export promotion activities that had not been previously funded by the first \$150,000 EMF grants.

He hoped that it would provide SMEs with greater flexibility in utilizing the additional EMF grants, and encourage SMEs to participate in more export promotion activities.

31. Referring to the Administration's proposal to expand the scope of EMF to cover more promotion activities through electronic commerce platforms and electronic media, Mr Charles MOK enquired whether the development of websites or mobile applications by SMEs for export promotion would also be eligible for EMF grants.

32. Dr LAM Tai-fai said that SMEs were an important pillar of Hong Kong's economy, employing over 1.3 million persons. He supported the proposed funding injection and enhancement measures for EMF and SDF to support SMEs to enhance their competitiveness and explore export markets. He noted with concern the decline in the number of EMF applications in recent years from some 27 000 in 2010 to some 17 000 in 2014.

33. In response, DGTI advised that based on the Administration's analysis, there were two main reasons for the declining number of EMF applications in recent years. Since the global economic downturn induced by the worldwide financial turmoil in end 2008, the external economic environment had remained unstable. In view of the sluggish performance of the traditional export markets in Europe and the United States and hence the weak demand for consumer products in these markets, there had been keen competition in the prices of exports resulting in a decline in gross profit. SMEs were thus more prudent in carrying out export promotion activities, or had reduced promotion activities. On the other hand, with the rapid advancement and prevalence of internet technology, coupled with the lower expenses and risks of making use of the electronic platform to carry out export promotion activities, there had been a declining trend for SMEs to make use of traditional channels for export promotion. For example, in the past five years, the number of applications for placing advertisements on printed trade publications had decreased by nearly 70%, whereas the percentage of applications for export promotion through advertisements on eligible trade websites had increased from 8% to over 20%.

34. DGTI further advised that to facilitate SMEs to utilize their EMF grants more flexibly through a diverse range of promotional channels, the Administration proposed to expand the scope of EMF to cover more export promotion activities through various types of electronic commerce platforms and electronic media. The Administration would establish a set of objective assessment criteria to facilitate enterprises in applying for grants and at the same time avoid abuse.

35. Dr CHIANG Lai-wan supported the injection of funds into and enhancement measures for EMF and SDF. She urged the Administration to step

up publicity and proactively encourage SMEs and eligible organizations to apply for the two funds to help expand their business and develop new markets. The Chairman and Dr CHIANG also suggested the Administration to provide more assistance to the SME applicants, particularly in preparation of application proposals, to facilitate applications.

SME Development Fund

36. Mr CHUNG Kwok-pan enquired whether separate funding ceiling would be set for SDF and EMF respectively among the total commitment for the two funds, and expressed concern that only a total of about \$17 million was approved for 16 projects under SDF in 2014. Referring to the Enterprise Support Programme ("ESP") under the Dedicated Fund on Branding, Upgrading and Domestic Sales ("the BUD Fund") which provided a maximum of \$500,000 funding to individual Hong Kong enterprises in undertaking projects to enhance their competitiveness and facilitate their business development in the Mainland market, Mr CHUNG suggested the Administration to consider expanding the scope of SDF to also allow applications from individual SMEs other than trade associations and industrial organizations.

37. Noting that SDF had only provided grants of about \$276 million in nearly 15 years between its launch in 2001 and end April 2015, and that the grant amounts of all the projects approved in 2014 were below the maximum funding amount of \$2 million, Dr CHIANG Lai-wan expressed concern about the slow rate of spending of SDF, and asked why no projects were granted the maximum funding amount in 2014. She hoped that SDF could support more projects that could enhance the competitiveness of Hong Kong SMEs, thereby contributing to Hong Kong's economy as well.

38. Dr LAM Tai-fai noted with concern that only 50% of the SDF applications were approved between April 2014 and February 2015. He also enquired whether the objectives of SDF would overlap with that of the BUD Fund.

39. In response, DGTI advised that there were no separate funding ceiling for SDF and EMF among the total commitment for the two funds. He explained that SDF provided financial support to non-profit-distributing organizations (such as trade and industrial organizations, professional bodies and research institutes) to implement projects that aimed at enhancing the competitiveness of SMEs in general or in specific sectors in Hong Kong. As such, the number of eligible applicants of SDF was smaller than that of EMF which was targeted at all Hong Kong SMEs. Since their launch in 2001 and up to end April 2015, SDF approved 244 applications implemented by 113 organizations, benefitting a wide range of industries from both the manufacturing sector and the service sector, whereas over 187 000 applications had been approved under EMF. DGTI further advised that

there was no cap on the total amount of funding to be approved for SDF projects in a year. All applications that met the assessment criteria of SDF would be considered for approval, subject to the maximum funding ceiling of \$2 million for each project, or 90% of the approved expenditure of the project, whichever was the lower. DGTI supplemented that, when compared with the application success rate of about 20% in the early years of implementation of SDF when applicants were not yet familiar with the application criteria and procedures, the application success rate of 50% for the period between April 2014 and February 2015 was an improvement. The Administration had been encouraging non-profit-distributing organizations, in particular trade and industrial organizations to apply for SDF. In addition, unsuccessful applicants were informed of the reasons of rejection and meeting would be arranged to help them revise and re-submit their applications if they so wished. Many of the rejected applications were eventually approved.

40. DGTI explained that the BUD Fund comprised two programmes, namely ESP and the Organization Support Programme ("OSP"). ESP of the BUD Fund aimed at assisting Hong Kong enterprises in exploring and developing the Mainland market through developing brands, upgrading and restructuring their operations and promoting domestic sales in the Mainland. OSP of the BUD Fund provided funding support to non-profit-distributing organizations to undertake projects which could assist Hong Kong enterprises in developing brands, upgrading operations and developing domestic sales in the Mainland, while SDF provided funding support for non-profit distributing organizations to implement projects that could enhance the competitiveness of SMEs, including to explore overseas markets, without any geographical restriction. It would be against the objective of SDF if its funding scope was to be expanded to cover applications from individual SMEs. In this connection, the Chairman pointed out that the approval of the Finance Committee would be required if the funding scope of SDF was to be expanded.

41. DGTI further advised that the Administration had received feedback from the trade from time to time requesting for more support for non-profit-distributing organizations to implement larger-scale activities (such as setting up Hong Kong pavilions in large-scale exhibitions and organizing business missions) in order to help SMEs enhance competitiveness and explore overseas markets, especially emerging markets. Having considered the views of the trade and the experience of the BUD Fund, the Administration proposed to increase the maximum grant for each SDF project from \$2 million to \$5 million, i.e. the same ceiling as that of OSP of the BUD Fund.

42. Dr CHIANG Lai-wan sought further information about the following four SDF projects approved in 2014 as set out in the Annex to the Administration's paper. In particular, she enquired in what ways items (c) and (d) could assist

SMEs in developing their business.

	Project title	Grantee
(a)	To strengthen awareness of local traditional Chinese medicine manufacturers about the latest GMP requirements and their application to production management and quality control	The Hong Kong Society of Chinese Medicines Limited
(b)	Benchmarking and Support Service Study on Relocation of Operations Back to Hong Kong for Five Pilot Sectors of Manufacturing Industry	The Professional Validation Council of Hong Kong Industries Limited
(c)	Equipping SMEs with Dispute Resolution Skills in Utilizing Mediation	Joint Mediation Helpline Office
(d)	To upgrade the QMS personnel certification scheme of Hong Kong Institution of Certified Auditors in compliance with ISO/IEC 17024 for international accreditation	Hong Kong Institution of Certified Auditors Limited

43. In response, DGTI advised that the project deliverables of item (a) included seminars and guidebook to enable the local traditional Chinese medicine manufacturers in meeting the Good Manufacturing Practice requirements for manufacturing proprietary Chinese medicines ("pCm"). Dr CHIANG Lai-wan opined that the Administration should, riding on Hong Kong's advantages on testing and certification services, attract Mainland pCm manufacturers to set up manufacturing or processing operations in Hong Kong, and develop Hong Kong into a regional Chinese medicine hub.

44. On item (b), DGTI advised that the five pilot sectors of manufacturing industry covered in the relevant study included pharmaceuticals and medicinal, food products, precision metal products and tooling, watches and clocks, and jewellery. Dr CHIANG Lai-wan expressed support for relocating the manufacturing operations of Hong Kong enterprises in the Mainland back to Hong Kong. At the request of Dr CHIANG, DGTI agreed to provide for members' perusal the final study report of the project upon its completion.

45. DGTI further advised that item (c) aimed at enhancing SMEs' awareness of mediation as a potential alternative means of facilitating quick and cost-effective settlement in disputes cases, including commercial disputes. The Department of

Justice was committed to promoting the use of mediation to expedite dispute resolution. As regards item (d), the objective of the project was to upgrade the Quality Management System personnel certification scheme of Hong Kong Institution of Certified Auditors in compliance with ISO/IEC 17024 for international accreditation which would help reduce the cost for obtaining relevant certification from overseas schemes and, in the long run, SMEs could benefit from a lower fee for testing and certification services.

Summing up

46. The Chairman concluded that the Panel supported in principle the Administration's proposal to inject additional funding into the SME Export Marketing and Development Funds and implement enhancement measures for SDF and EMF. He called on the Administration to provide more support for SMEs to enhance their overall competitiveness and help them explore and develop new export markets.

VI. Any other business

Regular Panel meeting in July 2015

47. In view that the last Council meeting of this legislative session would be held on 8 July 2015, Dr LAM Tai-fai suggested that the next regular Panel meeting originally scheduled for 21 July 2015 be re-scheduled to an earlier date. Dr CHIANG Lai-wan agreed with Dr LAM's suggestion. The Chairman instructed the Secretariat to liaise with the Administration for appropriate arrangement.

(Post-meeting note: On the instruction of the Chairman, the regular Panel meeting re-scheduled to 16 July 2015 was cancelled. Members were informed vide LC Paper No. CB(1)1082/14-15 issued on 8 July 2015.)

48. There being no other business, the meeting ended at 4:19 pm.