

Legislative Council Panel on Commerce and Industry

2015 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 active role to facilitate the long term economic development of Hong Kong. Serving as an economic driver, innovation and technology can also upgrade our quality of life and enhance the efficiency of our community. The Government attaches great importance to fostering the innovation and technology industries. We have given software and hardware support to enterprises and start-ups, provided financial assistance for universities and research institutions, and helped in the commercialisation of research and development results achieved by the industries. Nevertheless, we still need to create an atmosphere that is conducive to the development of innovation and technology, and encourage investment in this area. It is also necessary to enhance co-operation among the Government, industry, academia and research sectors.

Part I : Commerce, Industry and Tourism Branch

New Initiatives

Consider the enhanced support measures to promote the sustainable development of the fashion industry as recommended by the Economic Development Commission

2. The Expert Group on Fashion Industry established by the Working

Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries of the Economic Development Commission (EDC) has made specific recommendations on the necessary support measures to promote the sustainable development of the fashion industry. The recommendations which cover three aspects, namely, nurturing of talents and promoting collaboration between the traditional manufacturing industry and the fashion-related design industry, strengthening promotional activities, and the related institutional arrangements, have been endorsed by the EDC. In coordination with the relevant departments and organisations, we are considering the above recommendations.

Consider constructing a new convention centre above the Exhibition Station of the ShaTin to Central Link upon the latter's completion in around 2020

3. The convention and exhibition industries can help promote the export trade of Hong Kong, facilitate the development of the products and services industries and attract overnight business travellers to Hong Kong. The Government adopted the recommendation of the Working Group on Convention and Exhibition Industries and Tourism (WGCET) under the EDC and commissioned a consultancy study in 2014 to assess the future demand for convention and exhibition facilities in Hong Kong. The EDC and the WGCET noted the consultant's views, including ways to maximise the use of existing convention and exhibition facilities, and to construct new facilities.

4. Regarding construction of new facilities, one of the consultant's recommendations is to build a new convention centre above the Exhibition Station. The consultant considers that the convention centre can help attract new conventions on professional and financial services industries which are more suitably held in a downtown location to Hong Kong, and can also create operational synergies with the Hong Kong Convention and Exhibition Centre. The Government has accepted the consultant's recommendation, and will invite the Hong Kong Trade Development Council to proceed with the planning and consider constructing a new convention centre above the Exhibition Station upon the latter's completion in around 2020. The Government will also continue to consider other measures to promote the development of the

convention and exhibition industries.

On-going initiatives

Economic Development Commission

Supporting the work of the EDC to explore and identify growth sectors or clusters of sectors which present opportunities for Hong Kong's further economic growth. The EDC will continue to recommend possible policy and other support measures for these industries for the Administration's consideration and implementation

5. The EDC as established in 2013 has been focusing on the overall strategy and policy to broaden our economic base and enhance our long-term development, and identifying industries which would present opportunities for Hong Kong's further economic growth, so as to recommend possible policy and other support for these industries. The EDC has held six meetings, at which it has formulated the overall work direction for its Working Groups (namely, the Working Group on Transportation; the Working Group on Convention and Exhibition Industries and Tourism; the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries; and the Working Group on Professional Services), and discussed issues like the demand and supply of manpower resources, land use demand and supply, and vocational education.

6. The four Working Groups of the EDC, being in full operation for two years, have actively discussed possible policy and measures for promoting the development of industries under their ambits. Relevant Bureaux have maintained closed liaison with the Working Groups to follow up or conduct in-depth study on the subjects of interests to the Working Groups. The Working Groups have progressively submitted specific recommendations on the policy and measures for supporting individual industries for the EDC's endorsement, and for the Government's consideration and implementation as appropriate.

7. We will continue to support the work of the EDC and its Working Groups. We look forward to their submission to the Government of more specific recommendations for promoting the development of industries.

Economic and Trade Relations with the Mainland and Regional Co-operation

“Mainland and Hong Kong Closer Economic Partnership Arrangement” (CEPA)

Seeking to further expand CEPA with a view to securing for our businesses better access to the Mainland market

8. The Central Government announced in 2011 the objective of basic liberalization of trade in services between the Mainland and Hong Kong by the end of the National 12th Five-Year Plan period. Since then, the HKSARG has been working with Ministry of Commerce to achieve this goal, and signed a new supplement each year. The two sides just signed on 18 December the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalization of Trade in Services in Guangdong (“the Agreement”) so as to achieve early basic liberalization of trade in services in Guangdong. The Agreement adopts a hybrid approach of positive and negative lists to set out the liberalization measures in Guangdong of the Mainland applying to Hong Kong. The breadth and depth of liberalization surpass the previous measures for early and pilot implementation in Guangdong. The framework and content of the Agreement also sets a model for basic liberalization of trade in services nationwide in 2015.

Working with the Mainland authorities through CEPA Joint Working Group to assist our businesses in using CEPA to tap the Mainland market

9. Since the introduction of CEPA, the Mainland and Hong Kong have been maintaining close liaison through established mechanisms at central, provincial and municipal levels on CEPA implementation. The Chief Executive announced in his 2013 Policy Address that an additional Joint Working Group would be established to enhance the mechanism for the implementation of CEPA. Since the establishment of the CEPA Joint Working Group, meetings had been held in Guangzhou, Shanghai and Chongqing. Representatives from the HKSAR Government, Central ministries as well as the relevant provincial/municipal governments took

part in the meetings and discussed concrete measures to resolve problems encountered by the trade. Both sides reached consensus to continue promoting the effective implementation of CEPA and facilitating Hong Kong enterprises in gaining access to the Mainland market.

Supporting Hong Kong enterprises to develop the Mainland market

Supporting Hong Kong enterprises to develop brands, upgrade and restructure operations, and explore the domestic sales market through the \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales

10. To help enterprises capitalise on the opportunities arising from the National 12th Five-Year Plan, the Government introduced in June 2012 a \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales (the BUD Fund) to assist Hong Kong enterprises from all sectors in furthering their development in the Mainland through developing brands, upgrading and restructuring their operations and promoting domestic sales in the Mainland. The BUD Fund comprises the “Enterprise Support Programme” and the “Organisation Support Programme”, which provide funding support to eligible enterprises and non-profit-distributing organisations (e.g. trade and industrial organisations, professional bodies or research institutes) respectively.

11. In general, the BUD Fund has been operating smoothly and the response of the trade has been overwhelming. As at the end of December 2014, 267 applications from enterprises have been approved, involving a funding amount of about \$119 million. Another 19 applications have been approved with conditions. On the other hand, 44 applications from organisations have been approved, involving a funding amount of around \$143 million. We will continue to improve the operation and implementation details of the BUD Fund, and carry out promotional and publicity activities.

12. The TID and our offices in the Mainland would continue to regularly disseminate information to Hong Kong enterprises to keep them abreast of various new policies and regulations and the latest business environment in the Mainland. The Hong Kong Trade Development Council (HKTDC) and Hong Kong Productivity Council would also

continue to provide Hong Kong enterprises with support services on technological upgrading, management enhancement, branding and market development, etc., as well as information on the Mainland market. Moreover, we will continue to maintain a close dialogue with the trade and liaise closely with the relevant Mainland authorities at all levels to reflect the trade's views and concerns.

13. Last year, the Chengdu Economic and Trade Office and the Beijing Office organised Hong Kong Week events in Chongqing and Harbin in April/May and September respectively, whilst the HKTDC continued to expand its network of "Design Gallery" shops in various Mainland cities. Our offices in the Mainland and the HKTDC would continue work on these fronts in the coming year, in order to assist Hong Kong enterprises in building up their brand image and brand awareness in the Mainland and developing the domestic sales market.

Continuing to support Hong Kong enterprises (in particular small and medium enterprises (SMEs)) through various measures

14. We would continue to support Hong Kong enterprises (in particular SMEs) through various measures. These measures include funding schemes administered by the TID, namely, the SME Loan Guarantee Scheme, SME Export Marketing Fund and SME Development Fund, which assist SMEs in securing finance, exploring export market opportunities and enhancing their overall competitiveness. As regards the special concessionary measures under the SME Financing Guarantee Scheme (SFGS) administered by the Hong Kong Mortgage Corporation Limited (HKMC), the application period will be open until the end of February 2015¹. As at the end of December 2014, over 9600 applications have been approved under the special concessionary measures, involving a total loan guarantee amount of about \$31.8 billion. The Government will continue to review the support measures for SMEs from time to time to ensure that timely and adequate support would be provided to the trade.

¹ The HKMC launched the time-limited special concessionary measures under the SFGS on 31 May 2012 to provide 80% loan guarantee at a concessionary fee rate. The Government provides a total loan guarantee commitment of \$100 billion. The application period for the special concessionary measures was originally nine months until end of February 2013, which was subsequently extended twice to end February 2015.

Regional co-operation

Strengthening exchanges and co-operation between Hong Kong and Taiwan in trade, tourism, etc. through the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council and the Hong Kong Economic, Trade and Cultural Office in Taiwan

15. Hong Kong and Taiwan have established close trade relations. For merchandise trade, in 2013, Hong Kong and Taiwan were each other's fourth largest trading partner, with total bilateral merchandise trade amounting to over HK\$339.3 billion. For trade in services, Taiwan was Hong Kong's fifth largest trading partner in 2012, with the total value of trade in services reaching HK\$55.9 billion. The Government is committed to strengthening economic and trade co-operation between the two places in areas such as trade, investment and tourism.

16. A comprehensive and institutionalised economic and trade co-operation arrangement between Hong Kong and Taiwan could provide certainty in policies and strengthen confidence of investors. We would continue to follow-up with the Taiwan side on this matter through the platform of the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC) and Taiwan-Hong Kong Economic and Cultural Co-operation Council (THEC).

Encouraging investment in Hong Kong

Encouraging more enterprises from overseas, the Mainland, Taiwan as well as emerging markets such as the Association of Southeast Asian Nations to invest in Hong Kong and strengthening aftercare services to encourage those enterprises already established in Hong Kong to upgrade their presence. We will continue to attract global start-ups to set up business in Hong Kong and to promote Hong Kong as a leading hub for startups and entrepreneurship

17. 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 2014, InvestHK has completed 355 overseas, Mainland

and Taiwan investment projects. To attract more Mainland enterprises to establish a presence in Hong Kong, InvestHK conducted a series of investment promotion seminars in high growth Mainland cities in 2014, including Tianjin, Shijiazhuang, Hefei, Chongqing, Kunming, Xian and Guiyang. In the coming year, the Mainland market will remain a priority of our investment promotion work. InvestHK will continue its 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.

18. With the support of the Investment Promotion Unit in the Hong Kong Economic, Trade and Cultural Office in Taipei, InvestHK has stepped up its promotion efforts in Taiwan. It has strengthened partnership with the Taiwan business community through organising seminars, company visits and promotional events in different cities in Taiwan throughout the year. In October 2014, InvestHK organised a joint seminar with Guangzhou in Taipei to promote the combined business advantages of Hong Kong and Guangzhou. InvestHK will 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.

19. In 2014, InvestHK has continued its investment promotion work in the key emerging markets including Southeast Asia, India and South America. Such work include, for example, investment promotion seminars held in markets such as Costa Rica, India, Israel and South Africa to promote the business advantages of Hong Kong. InvestHK will continue to accord priority to attracting more companies from emerging markets like the ASEAN and Latin America to set up in Hong Kong in 2015.

20. To seize the opportunities brought by the rapidly growing startup sector, InvestHK has launched an initiative called “StartmeupHK” since 2013 to promote Hong Kong as a premier startup destination and hub in Asia, and to attract and support innovative, scalable and high growth startup entrepreneurs to set up in Hong Kong and use the city as a launch pad to expand their business globally. In the coming year, InvestHK will launch a series of activities under the StartmeupHK initiative, including StartmeupHK Venture Programme, a global business

plan competition, etc., to enhance its effort to attract high-impact overseas entrepreneurs to Hong Kong.

21. 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.

Economic and Trade Relations with Overseas Countries

Seeking to enter into trade arrangements and investment agreements with more overseas economies and continuing to participate in the Trade in Services Agreement negotiation to secure for our businesses better access to those markets

22. The multilateral trading system embodied in the World Trade Organization (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.

23. The WTO concluded the Trade Facilitation Agreement (TFA) in December 2013, which is the first multilateral agreement since the establishment of the WTO in 1995. The TFA sets out binding obligations for all WTO Members to improve and harmonise their import/export and customs formalities and procedures. It will help reduce costs and improve efficiency in doing business under a more transparent and predictable trading environment. In December 2014, Hong Kong became the first WTO Member to join the TFA. The TFA will come into force upon acceptance by two-thirds of the WTO Members.

24. To maintain Hong Kong's international profile, boost trade and investment, generate job opportunities, and enhance long-term economic development, we have been actively pursuing free trade agreements (FTAs) with our trading partners. Hitherto, Hong Kong has signed three

FTAs with overseas economies², covering Hong Kong's strategic markets in different parts of the world. We will continue to reach out to other economies and expand our FTA network. Furthermore, Hong Kong will continue to participate actively in the Trade in Services Agreement (TISA)³ negotiation to take forward the liberalisation of trade in services.

25. Hong Kong has also been pursuing Investment Promotion and Protection Agreements (IPPA) with other economies to enhance investment flows and boost our economy. So far, Hong Kong has signed 17 IPPAs with overseas economies⁴ and concluded negotiations with Bahrain and Myanmar. Hong Kong will sign the two IPPAs with Bahrain and Myanmar after completion of the necessary internal procedures by parties concerned.

26. In 2015, Hong Kong will continue IPPA negotiations with the Russian Federation. We will also negotiate an IPPA with the United Arab Emirates and an investment agreement with Chile as part of the FTA with Chile. We will continue our efforts to forge more IPPAs with other economies.

Continuing the negotiation of a free trade agreement with the Association of Southeast Asian Nations to secure for our businesses more favourable access to the relevant markets

27. The FTA negotiation between Hong Kong and the Association of Southeast Asian Nations (ASEAN) commenced in July 2014 and is progressing smoothly. We will endeavour to conclude the negotiation as soon as possible. The 10 member states of ASEAN collectively is Hong Kong's second largest trading partner in goods and fourth largest in services. The FTA will enable our goods, services and investments to access the ASEAN market under more favourable conditions. It will enhance trade and investment flows between Hong Kong and ASEAN,

² The relevant economies are New Zealand, the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) and Chile.

³ As of December 2014, the 23 WTO Members participating in the TISA negotiation are Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the European Union, HKC, Iceland, Israel, Japan, Korea, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Switzerland, Turkey and the United States.

⁴ The relevant economies are 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.

generate new opportunities for our businesses, and strengthen Hong Kong's position as an international trade, commerce and financial centre.

Strengthening economic ties and co-operation with emerging economies by promoting high-level reciprocal visits and exploring trade arrangements and investment agreements

28. In view of the weak economic outlook of advanced economies in the world, the Government endeavours to develop new markets in emerging economies including the Middle East, Africa, India and Latin America. To this end, the Financial Secretary led a business delegation to Saudi Arabia and the United Arab Emirates (UAE) in December 2014 to strengthen trade and investment ties with these two countries and promote Hong Kong's strengths as an international financial centre and offshore Renminbi business centre. During the visit, the Financial Secretary signed an agreement on the avoidance of double taxation and announced the launch of negotiation for an IPPA with the UAE. We will continue to strengthen economic relations with the emerging economies.

International Trading and Shipping Centre

Continue to pursue measures to facilitate the movement of goods across the boundary, including the "Authorised Economic Operator Programme" which allows cargoes handled by qualified companies to enjoy expedited customs clearance in Hong Kong and by our trading partners

29. Customs and Excise Department (C&ED) has been promoting the Hong Kong Authorised Economic Operator (AEO) Programme. Local companies that adopt appropriate security measures may be accredited as AEOs and thus enjoy customs facilitation such as prioritised clearance and reduced examination of their goods. The industry's response is positive. C&ED has so far accredited 25 companies, including multi-national companies and local SMEs in the import/export, manufacturing or freight forwarding industries. C&ED will proactively handle the applications from more than 50 companies, and continue the promotion and conduct out-reaching visits to encourage applications.

30. Following the successful cases with the Mainland and India, C&ED entered into mutual recognition arrangements (MRAs) with the customs administrations of Korea and Singapore respectively in 2014. Under the MRAs, local AEOs can enjoy customs facilitation in these four customs territories. In 2015, C&ED expects to conclude MRAs with the Malaysian and Thai customs administrations and commence MRA discussions with Taiwan.

Enhancing Wine Trading

Supporting wine trading and distribution businesses in Hong Kong, riding on growing demand across Asia

31. Hong Kong continues to play the role as the regional wine trading and distribution hub, and hopefully remains the world's largest wine auction centre for five consecutive years. In the first 11 months of 2014, wine imports amounted to about \$7.7 billion. This represented an increase of 5.9% over the same period in 2013. According to preliminary information of the industry, the value of wine auction sales in Hong Kong was over \$700 million in 2014.

32. In 2015, we will promote newly launched supportive measures. These include the customs facilitation scheme for wine re-exports into the Mainland enhanced since last September, as well as the Wine Registration Scheme officially launched by the Hong Kong Quality Assurance Agency last November. These help the industry grasp the business opportunities. We will also promote major wine trade and investment related events, including the seventh Wine and Dine Festival and the HKTDC's eighth Hong Kong International Wine & Spirits Fair.

Intellectual Property (IP)

Working with stakeholders on the overall strategies and support measures to develop and promote Hong Kong as a premier intellectual property trading hub in the region

33. Since its establishment in 2013, the Working Group on IP Trading (the Working Group) has completed deliberations on the specific policies and support measures in all four areas of the Strategic Framework for promoting the development of Hong Kong as a regional IP trading hub.

The Working Group plans to submit a report with recommendations to the Government in the first quarter of 2015 for consideration and follow up, to enhance Hong Kong's competitiveness on the IP trading front.

Working to develop and implement an “Original Grant” Patent System that would be commensurate with our efforts to develop Hong Kong into a regional innovation and technology hub

34. To provide for the legal framework of the “original grant” patent system, we are drawing up the requisite amendments to the Patents Ordinance (Cap 514) and plan to introduce a bill into the Legislative Council for scrutiny in the first half of 2015. Subject to the progress of the legislative exercise and other implementation work, we tentatively aim at launching the OGP system in 2016-17 at the earliest.

Engaging stakeholders to explore how our copyright regime should evolve to strengthen copyright protection in the digital environment

35. We introduced the Copyright (Amendment) Bill 2014 into the Legislative Council in June last year to update Hong Kong's copyright regime and ensure that it keeps pace with technological and overseas developments. Legislative proposals included are to strengthen copyright protection in the digital environment and to provide for various copyright exceptions to facilitate the reasonable use of copyright works. The Bill is now under the scrutiny by the Bills Committee. We will continue to assist the Committee and maintain close liaison with stakeholders with a view to pushing the Bill through as soon as possible.

Supporting Retail Manpower Development

Further pursuing measures to help alleviate the manpower tightening problem of the retail industry

36. The retail industry is an important economic sector. Last year, the Government announced the earmarking of \$130 million to implement three new measures for the manpower development of the retail industry.

37. These measures are: (a) supporting youngsters to participate in an “Earn & Learn Pilot Scheme for the Retail Industry”, introduced in September last year by the Vocational Training Council together with the

trade. The Scheme helps ease the manpower tightening problem of the industry, and attract aspiring youngsters to join the retail workforce (earmarked about \$70 million); (b) assisting retail enterprises (in particular medium and small ones) in enhancing productivity, through the “Retail Technology Adoption Assistance Scheme for Manpower Demand Management” commenced in early December last year (\$50 million); and (c) launching a three-year industry promotion campaign in 2015, to rectify misperception and project a positive image of the industry with a view to attracting new blood (\$10 million). We will further implement the measures in 2015.

Part II : Innovation and Technology Commission

New Initiative

Inject \$5 billion into the Innovation and Technology Fund (ITF) and subsume the R&D Cash Rebate Scheme under the ITF to provide sustained and comprehensive support for I&T development

38. Over the years, the Government has been striving to build a more vibrant I&T ecosystem through provision of financial support and infrastructure. The \$5 billion-ITF was set up in 1999 to fund applied R&D projects that facilitate technology upgrading in manufacturing and services industries and promote innovation. As at end-November 2014, the ITF has supported over 4250 projects involving a total funding of some \$8.9 billion. The uncommitted balance of the ITF was \$0.2 billion, which is expected to be fully committed in mid-2015.

39. In 2014, the Government completed a comprehensive review on the ITF and reported to the Panel the outcome of the Review and the proposed enhancement measures, such as preparing for the launch of the Enterprise Support Scheme (ESS) to overcome the various limitations of the existing Small Entrepreneur Research Assistance Programme; waiving the industry sponsorship requirement for projects initiated by Government bureaux/departments and statutory bodies; raising the funding ceiling for Public Sector Trial Scheme projects; increasing the funding ceiling for patent applications; etc.

40. These recommendations have been supported by Panel Members and are being implemented in stages. We will continue to review the

effectiveness of the ITF from time to time and implement new measures as fit.

41. As announced by the Chief Executive in this year's Policy Address, we propose to inject \$5 billion into the ITF to sustain the Government's support for I&T development and subsume the R&D Cash Rebate Scheme under the ITF to provide a more stable and longer term funding source for the Scheme. We will consult the Panel on the proposal and submit it to the Legislative Council (LegCo) Finance Committee (FC) for approval in due course.

Implement the recommendations of the Review of the Science Park and Industrial Estates (IEs), including strengthening the role of the Science Park in developing the I&T ecosystem; suitably raising the development density of the Park to optimise land use in the Park for the development of new R&D facilities; and proceeding with the formulation of a new IE policy to enhance the economic value chain of the I&T industries in Hong Kong and further revitalise the IEs

42. We have, in conjunction with the Hong Kong Science and Technology Parks Corporation (HKSTPC), completed a Review on the utilisation and long-term development direction of the Science Park and IEs. HKSTPC will take a more proactive role in promoting the development of I&T in addition to the provision of infrastructure, facilities and support services. The Corporation will also strengthen its connection with innovators, government agencies, investors and the industry, while fostering collaboration with international and local universities and research institutions across different technological disciplines. It will continue to promote innovative development by creating an inspiring and vibrant ecology and offering custom services to I&T companies at different R&D stages.

43. In addition, in order to increase the supply of R&D facilities, the Review report recommended HKSTPC to consider suitably raising the development density of the Science Park to optimise its land use in the light of the severe shortage of land resources in Hong Kong. As regards the IEs, the Review report recommended HKSTPC to update the IE policy to enhance the value chain of the I&T industries, taking into account changes in the economic structure of and shortage of land supply in Hong Kong.

44. We will work closely with HKSTPC to formulate specific policies and measures to implement the above recommendations.

On-going Initiatives

Innovation and Technology Industries

Promoting R&D

Promoting applied R&D, and supporting commercialisation of R&D outcomes and R&D in the private sector through financial support under the ITF and R&D Cash Rebate Scheme as well as the work of the R&D Centres

ITF

45. The ITF is the most important tool of the Government in promoting I&T. In order to better promote realisation/commercialisation of R&D outcomes, in particular in the private sector, in 2014, we have extended the scope of the ITF to more downstream R&D activities and promulgated a more comprehensive/systematic post-project evaluation framework to better assess and monitor the progress of commercialisation of R&D outcomes. Apart from preparing for the launch of the ESS, we also set up a new Technology Start-up Support Scheme for Universities under the ITF to provide an annual funding of up to \$24 million to six local universities, initially for three years, to encourage their students and professors to start technology businesses and commercialise their R&D outcomes.

46. As mentioned in paragraph 39 above, we have in 2014 completed a comprehensive review and will implement the recommendations systematically in the coming year.

R&D Centres

47. In 2006, the Government set up R&D Centres for five focus technology areas. The FC of LegCo has so far approved a total of \$1,019 million out of the ITF to support the Centres' operation for 11 years from April 2006 to March 2017.

48. We are delighted that after some eight years of operation, the R&D Centres have gradually become more mature in acting as the focal point for technology collaboration among the Government, industry, academia and research sectors. Since the establishment of the R&D Centres, the Innovation and Technology Commission (ITC) has been submitting annual reports of the operation and performance of the R&D Centres to the C&I Panel. We will conduct another review of the R&D Centres in mid-2015 – by that time they have operated for nearly 10 years – and we will be able to assess more comprehensively their performance and put forward our recommendations to the Panel with regard to their future operation.

R&D Cash Rebate Scheme

49. The \$200-million R&D Cash Rebate Scheme was launched in April 2010 to provide 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.

50. Since we increased the level of cash rebate from 10% to 30% in 2012, the industry's response to the Scheme has become increasingly positive. For example, the amount of cash rebate approved has increased from \$11.4 million in 2011-12 to \$30.0 million in 2013-14, representing an average annual growth rate of 68%. As at end-November 2014, the Cash Rebate Scheme has approved a total of 990 applications involving cash rebate of \$104.44 million.

51. As mentioned in paragraph 41 above, we propose to subsume the R&D Cash Rebate Scheme under the ITF to provide a more stable and longer term funding source for supporting private sector investment in R&D.

Capitalising on the opportunities presented by the National 12th Five-Year Plan and working with stakeholders to enhance collaboration with the Mainland on science and technology and promote realisation of R&D results

52. We have been working with stakeholders to enhance collaboration with the Mainland on science and technology so as to capitalise on the opportunities presented by the National 12th Five-Year Plan. At the ninth meeting of the 'Mainland-Hong Kong Science and Technology

Co-operation Committee' (the Committee) held in September 2014, the schedule of the first round of reassessment on the Partner State Key Laboratories (PSKLs) to be conducted in 2016 was endorsed. Amongst the 16 PSKLs in Hong Kong, the 12 ones established in 2010 or before will be subject to reassessment to ensure that their leading positions in respective scientific research areas are maintained.

53. As endorsed by the Committee, the first round application for Hong Kong Branches of Chinese National Engineering Research Centres started in March 2014. A total of 28 applications were received from universities and R&D Centres in Hong Kong and the assessment work is being conducted. A list of recommended applications is expected to be ready in mid-2015 for submission to the Ministry of Science and Technology for consideration.

Working closely with the HKSTPC on the development of Science Park Phase 3 and the further revitalisation of IEs through various measures

54. Phases 1 and 2 of the Science Park are now about 93% occupied. Construction of the \$4.9 billion Science Park Phase 3 is progressing on schedule. Its first three buildings were completed in March 2014 and officially opened in September 2014, while the remaining two buildings will be completed in 2016. So far, HKSTPC has already secured some 60 tenants for Phase 3, comprising a good mix of local and overseas technology companies. Upon completion, the gross floor area of the Science Park will be increased by around 50% to 330 000 square metres, accommodating over 600 partner companies and providing 15 000 job opportunities.

55. To ensure the effective use of land in the IEs, HKSTPC will continue to revitalise the existing three IEs in Yuen Long, Tai Po and Tseung Kwan O through different means to encourage grantees that are not fully utilising their sites to take up new projects or surrender the sites.

Organising a wide range of promotional activities in 2015, including the InnoTech Month (ITM), to enhance the community's awareness of I&T

56. We have organised a wide range of promotional activities to enhance public awareness of I&T, including the anchor event ITM held from late October to early December 2014 which attracted over 230 000 visits. We also supported students and enterprises to participate in

science and technology competitions or invention exhibitions.

57. In 2015, 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.

Testing and Certification Industry

Working closely with the Hong Kong Council for Testing and Certification (HKCTC) to continue implementing its market-oriented development plan, and exploring business opportunities in testing and certification services required by selected trades

58. In 2013, the HKCTC completed a comprehensive review of the implementation of its market-driven three-year industry development plan put forward in 2010. Since then, various measures recommended in the review are being implemented progressively. For example, on the traditional Chinese medicine front, the development of Hong Kong Certification Scheme for Chinese Materia Medica initiated by the HKCTC has just been completed. The Scheme aims to provide traders and suppliers with an effective means of attracting consumers through enhanced quality assurance. HKCTC will work with the Hong Kong Productivity Council to promote the Scheme in 2015. Regarding the testing and certification of construction materials, the Housing Department has continued to require the use of product certification in its projects. The HKCTC will also collaborate with the Construction Industry Council in promoting product certification for construction materials outside Government. On manpower development, the HKCTC continues to work with the industry to further develop the professionalism of our talents. The new bachelor programme in testing and certification of the Open University of Hong Kong and the relevant Higher Diploma programmes of the Vocational Training Council continue to attract good number applications from students.

59. Furthermore, the ITC will host a technical annual meeting under the International Organization for Standardization (ISO) in the coming November. The meeting will discuss matters relevant to ISO 9001 Quality Management Systems Standard, one of the most widely used ISO standards around the world and in Hong Kong. We anticipate that delegates from more than 100 economies will attend the meeting. HKCTC agrees that it can present a good opportunity to promote our

testing and certification industry at home and abroad, and it will contribute to the development of Hong Kong into a testing and certification hub of the region.

The Way Forward

60. Last Year, the Chief Executive announced that we would re-initiate the setting up of an Innovation and Technology Bureau. This is in response to the calls from the relevant sectors that a new Bureau should be set up to fully capture the opportunities provided by advancements in technology and the commercial potential they offer through a dedicated high level leadership, and stronger policy coordination across the I&T industries. Having secured the support of the relevant Panels of the LegCo, the Resolution to effect the transfer of statutory functions was approved by LegCo. The relevant staffing and financial proposals have been submitted to the FC. We will continue to strive for the early approval of the relevant proposals by the FC.

Commerce, Industry and Tourism Branch
Innovation and Technology Commission
Commerce and Economic Development Bureau
January 2015