

**立法會**  
**Legislative Council**

LC Paper No. CB(1)673/18-19  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 18 December 2018, at 2:30 pm**  
**in Conference Room 1 of the Legislative Council Complex**

**Members present :** Hon YIU Si-wing, BBS (Chairman)  
Hon Alvin YEUNG (Deputy Chairman)  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon WONG Ting-kwong, GBS, JP  
Hon Starry LEE Wai-king, SBS, JP  
Hon Steven HO Chun-yin, BBS  
Hon WU Chi-wai, MH  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon Martin LIAO Cheung-kong, SBS, JP  
Dr Hon CHIANG Lai-wan, SBS, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon CHUNG Kwok-pan  
Hon CHU Hoi-dick  
Hon SHIU Ka-fai  
Hon CHAN Chun-ying, JP  
Hon LAU Kwok-fan, MH

**Members absent :** Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Hon Jimmy NG Wing-ka, JP

**Public officers  
attending**

: Agenda item IV

Trade and Industry Department

Ms Salina YAN, JP  
Director-General of Trade and Industry

Ms Jenny CHAN  
Assistant Director-General of Trade and Industry  
(Mainland)

Mr Francis HO  
Assistant Director-General of Trade and Industry  
(Systems)

Customs and Excise Department

Ms Sandra TAM  
Head of Land Boundary Command

Agenda Item V

Innovation and Technology Bureau

Dr David CHUNG, JP  
Under Secretary for Innovation and Technology

Mr Ricky CHONG  
Principal Assistant Secretary for Innovation and  
Technology (1)

Innovation and Technology Commission

Ms Annie CHOI, JP  
Commissioner for Innovation and Technology

Mr Ivan LEE, JP  
Deputy Commissioner for Innovation and  
Technology

**Clerk in attendance :** Mr Desmond LAM  
Chief Council Secretary (1)3

**Staff in attendance :** Mr Joey LO  
Senior Council Secretary (1)8

Mr Terence LAM  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)3

Miss Zoe YIP  
Clerical Assistant (1)3

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Action

**I. Confirmation of minutes of meeting**

(LC Paper No. CB(1)312/18-19 -- Minutes of meeting held on  
16 October 2018)

The minutes of meeting held on 16 October 2018 were confirmed.

**II. Information paper issued since last meeting**

2. Members noted that no paper was issued since the last meeting.

**III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)311/18-19(01) -- List of outstanding items for  
discussion

LC Paper No. CB(1)311/18-19(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on  
15 January 2019 at 2:30 pm to discuss the following items proposed by the  
Administration –

(a) Discussion at multilateral and regional fora on trade facilitation  
initiatives; and

(b) Progress report on the Innovation and Technology Fund.

4. Members noted that the Joint Subcommittee on Issues Relating to the Regulations of Devices and Development of the Beauty Industry ("Joint Subcommittee"), which was jointly appointed by the Panel on Health Services and the Panel, had been activated and held its first meeting on 14 December 2018. The Joint Subcommittee would report to the two Panels its deliberations and recommendations after the completion of work of the 12-month period. Members agreed that item 14 "Promoting the industrialization of the beauty industry in Hong Kong" be deleted from the list of outstanding items.

#### **IV. Trade relations between the Mainland and Hong Kong**

(LC Paper No. CB(1)311/18-19(03) -- Administration's paper on "Trade relations between the Mainland and Hong Kong — The Mainland and Hong Kong Closer Economic Partnership Arrangement: Agreement on Trade in Goods"

LC Paper No. CB(1)311/18-19(04) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)362/18-19(01) -- Administration's paper on "Trade relations between the Mainland and Hong Kong — The Mainland and Hong Kong Closer Economic Partnership Arrangement: Agreement on Trade in Goods" (PowerPoint presentation material)  
*(Chinese version only, tabled at the meeting and subsequently issued on 18 December 2018)*

#### Presentation by the Administration

5. At the invitation of the Chairman, Director-General of Trade and Industry ("DGTI") briefed members on the new Agreement on Trade in Goods ("the Agreement") signed under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"), and gave a PowerPoint presentation on the subject matter. Details of the Agreement were set out in the Administration's papers (LC Paper Nos. CB(1)311/18-19(03) and CB(1)362/18-19(01)).

Discussion

*Trade Facilitation Measures on Trade in Goods in the Guangdong-Hong Kong-Macao Greater Bay Area under the Agreement*

6. Mr Jeffrey LAM welcomed the signing of the Agreement on 14 December 2018 between the Hong Kong Special Administrative Region Government and the Ministry of Commerce of the People's Republic of China under the framework of CEPA to further enhance the level of economic and trade exchanges and cooperation between the Mainland and Hong Kong, in particular, the flow of goods within the the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"). Given the impact of the trade disputes between China and the United States ("US") on Hong Kong's exports, Mr LAM considered that the Administration should step up its efforts to assist the trade in further developing the Mainland market at large, the market of the Greater Bay Area in particular. In this regard, Mr LAM enquired whether the Administration had formulated any trade facilitation measures under the Agreement to facilitate the interconnectivity of the single windows among the nine Pearl River Delta municipalities and Hong Kong's Trade Single Window ("TSW"), which would complement and strengthen Hong Kong's competitiveness in trade in goods and position as a logistics hub.

7. DGTI said that the Administration saw the importance of creating a stable business environment to facilitate enterprises' business development. The implementation of the Agreement and other Free Trade Agreements ("FTAs") would help enhance the level of economic and trade exchanges and cooperation with the Mainland and other economies, thereby assisting Hong Kong enterprises in alleviating the uncertainties facing the trade in the global economy. The Agreement would also help promote the "Brand Hong Kong" in the Mainland market. In addition, the Administration had taken a number of support measures to assist small and medium enterprises ("SMEs") in various sectors in market development and risk diversification. In August 2018, the Administration rolled out enhancement measures to the Dedicated Fund on Branding, Upgrading and Domestic Sales and the SME Export Marketing Fund to assist the trade in developing new markets and enhancing competitiveness.

8. Head of Land Boundary Command, Customs and Excise Department added that subject to satisfactory progress of all preparatory work, TSW would be implemented in three phases, with Phase 1 to be rolled out in 2018, and Phase 2 and Phase 3 in 2022 and 2023 the earliest respectively. The Administration would strive to explore room for expediting the implementation of TSW so as to enhance the trade efficiency and save the time and cost of the trading community.

9. The Chairman took the opportunity to urge the Administration to work out with the Mainland authorities an implementation timetable for the trade

facilitation measures to expedite customs clearance of goods to facilitate movement of goods in the Greater Bay Area.

10. DGTI advised that the Administration would take forward the initiatives set out in the dedicated Chapter of the Agreement on "Trade Facilitation Measures in the Guangdong-Hong Kong-Macao Greater Bay Area" with the Mainland. For the initiative of exploring facilitation measures for expedited cross-boundary customs clearance, the Administration had been exploring with the Mainland authorities the application of the Single E-lock Scheme on a wider scale. With both the Mainland and Hong Kong authorities having agreed on the guiding principles as set out in the Agreement, the Administration looked forward to notable progress in the coming year, and would keep the Panel posted of further development when ready.

*(Post-meeting note: The Administration announced on 17 January 2019 that the number of clearance points under the Single E-lock Scheme in the Guangdong Province had been increased from 32 to 51 with effect from January 2019. Zhuhai was covered by the network of clearance points for the first time.)*

#### *Implementation of CEPA*

11. Noting that CEPA had come into effect for some 15 years, Dr CHIANG Lai-wan enquired about the types and value of goods of Hong Kong origin which enjoyed zero tariff preference upon importation into the Mainland. She also urged the Administration to step up promotion overseas to attract more high value added industries such as pharmaceutical and biotechnology companies to set up bases in Hong Kong by leveraging the zero tariff preference under the Agreement.

12. DGTI advised that since the implementation of CEPA, the total value of trade in goods between Hong Kong and the Mainland had risen from HK\$1,800 billion in 2004 to HK\$4,100 billion in 2017. As at end-November 2018, HK\$98.3 billion of Hong Kong goods were imported into the Mainland under zero tariff in accordance with the Product Specific Rules of Origin ("PSRs") under CEPA, covering a wide range of goods such as food and beverage, plastics, textiles and clothing, pharmaceutical and health care products. According to the information provided by the Mainland authorities, as at end-November 2018, the total savings arising from CEPA zero tariff preference for such "made in Hong Kong" goods amounted to nearly RMB 7 billion. DGTI added that pharmaceutical products, including certain categories of Proprietary Chinese Medicines, were already covered under existing PSRs, and the scope would be further expanded in the new Agreement due to introduction of the general rule of origin ("General Rule") based on the calculation of the value added to the products

in Hong Kong. For products currently without PSRs, companies, including those from the pharmaceutical sector, setting up bases in Hong Kong could instantly enjoy zero tariff upon importation into the Mainland provided that the General Rule was met. The Administration would promote the preferential treatment offered by CEPA to local as well as overseas companies through the concerted effort of Invest Hong Kong, the Hong Kong Science and Technology Parks Corporation ("HKSTPC") and the Hong Kong Productivity Council, etc.

*CEPA facilitation measures for Hong Kong industries*

13. Mr MA Fung-kwok welcomed the signing of the Agreement which had consolidated and updated the commitments on liberalization and facilitation of trade in goods under CEPA. He urged the Administration to continue to strive for national treatment and facilitation measures under CEPA in respect of cultural and creative industries in the following areas: (a) facilitation of the short-term movement to and from the Mainland of stage equipment used by the performing arts sector; (b) relaxation of the requirements associated with motion pictures jointly produced by Hong Kong and the Mainland; and (c) relaxation of the restrictions on publishing and distribution of books in the Mainland by Hong Kong publishers and distributors.

14. DGTI advised that the Administration had relayed the demand of the local performing arts sector for facilitating the short-term movement of stage equipment used in cultural performance (e.g. concerts) into and out of the Mainland to the Ministry of Commerce, and according to her understanding, the Ministry of Commerce had been proactively studying the issue, including exploring the expansion of the scope of ATA Carnet to facilitate temporary admission of professional equipment and commercial samples. The Administration had also successfully strived for further relaxation of import restrictions for Hong Kong motion pictures in the Mainland, and the waiving of requirement for experience in motion picture distribution in the Mainland for Hong Kong distributors. DGTI added that with the completion of the current round of discussion on trade in goods with the Mainland, next year's focus of work in relation to CEPA would return to trade in services, which would cover the motion picture as well as publishing and distribution industries. The Administration would continue to closely liaise with the industries in order to reflect their views in the discussion of further liberalization of trade in services with the Mainland.

15. In response to Mr Martin LIAO's enquiry on the latest progress of liberalization measures to support the development of Hong Kong's professional services in the Mainland, DGTI advised that the Administration had all along been following up on further liberalization of trade in services under CEPA, which would be next year's focus subsequent to this year's successful conclusion of the

consultations on trade in goods. In the coming year, the Administration would continue to pursue further liberalization of trade in services under CEPA, including revising the schedule of commitments of the Agreement on Trade in Services by shortening the existing negative list, and fostering mutual recognition of professional qualifications. On the latest progress of liberalization measures to support the development of Hong Kong's professional services in the Mainland and promote the cooperation in services sectors between the two places, the Mainland authorities would implement on 1 March 2019 a new liberalization measure in the legal services sector to expand the geographical scope of setting up of Hong Kong and Mainland law firms in the form of partnership association from Guangzhou Municipality, Shenzhen Municipality and Zhuhai Municipality to the entire Mainland.

16. At Mr LIAO's request, DGTI undertook to provide information on the following aspects –

- (a) the estimated number and breakdown by industry of Hong Kong firms to be relocated back from the Mainland to Hong Kong as a result of the zero tariff entitlement on imported goods of Hong Kong origin offered by the Agreement signed between Hong Kong and the Mainland on 14 December 2018;
- (b) whether the Hong Kong firms to be relocated from the Mainland referred to in (a) would be allowed to set foot in the Advanced Manufacturing Centre under construction in Tseung Kwan O Industrial Estate; and if so, the number of relocating firms which had indicated the intention to do so;
- (c) the progress of HKSTPC's study on the development vision of a site of about 56 hectares near the Liantang/Heung Yuen Wai Boundary Control Point for the long-term development of Industrial Estate; and whether the Administration would propose conditions favoring the Hong Kong side to be included in the relevant agreement to be reached with the Shenzhen Municipal Government; and
- (d) the progress of discussion with the Ministry of Commerce on further opening of the Mainland market to Hong Kong's professional services sector in addition to the two new liberalization measures in respect of the legal services and testing and certification sectors announced by the Mainland and Hong Kong Economic and Trade Co-operation Committee for implementation from 1 March 2019.



*(Post-meeting note: The information provided by the Administration on item (d) was circulated to members on 23 January 2019 (LC Paper No. CB(1)503/18-19(01)).*

17. Mr WU Chi-wai enquired how the Administration would leverage the Agreement to attract Hong Kong enterprises to relocate their production lines from the Mainland back to Hong Kong; and whether Hong Kong enterprises which had relocated their production lines to Southeast Asia could also benefit from the zero tariff arrangement under the Agreement. He also enquired whether the Trade and Industry Department ("TID") and Commerce and Economic Development Bureau ("CEDB") would strive for the allocation of more land for the development of Hong Kong's logistics industry (such as the land available from the proposed Sunny Bay reclamation project) in the face of keen competition from neighbouring Mainland cities such as Zhuhai.

Admin

18. DGTI advised that goods fulfilling CEPA rules of origin including the General Rule introduced by the Agreement based on the value added to the products in Hong Kong would enjoy zero tariff upon importation into the Mainland. Apart from the existing Build-up method under CEPA for calculating the value added, the Agreement introduced a Build-down method of calculation, and product development costs (including patents and design fees) could be counted under both methods. She added that Hong Kong had a competitive logistics industry which was buttressed by efficient customs procedures. The Administration would consider the allocation of land for different uses on an overall basis. At the Chairman's request, DGTI undertook to relay Mr WU's views on the land use of the proposed Sunny Bay reclamation to CEDB and/or the Development Bureau for further consideration.

19. Mr WU Chi-wai said that due to the trade conflicts between China and the US and the reform of industrial structure in the Mainland, many Hong Kong enterprises, which had set foot in the Mainland, had relocated or were considering to relocate their production bases elsewhere, Hong Kong and Southeast Asia being possible destinations. Mr WU enquired whether the Administration had carried out any studies on their considerations on relocation and what assistance the Administration could render to these enterprises; and whether the Administration had formulated any plans to attract these enterprises to relocate part or all of their production lines to Hong Kong or use Hong Kong as a regional headquarters for their operations. In this connection, Mr WU enquired whether the goods produced by Hong Kong enterprises in other countries (such as Association of Southeast Asian Nations ("ASEAN")'s countries) would be entitled to the zero tariff preference under CEPA if the goods concerned were directly exported to China from these countries; if not, what Hong Kong could offer to these enterprises in terms of preferential treatment in doing business.

20. DGTI advised that the Administration fully understood the impact of the trade conflicts between China and the US on Hong Kong's industries. The Administration would endeavour to maintain a favourable business environment for Hong Kong's enterprises. The various FTAs which Hong Kong had forged with other countries would provide adequate protection and support for these enterprises in investing or setting up operations outside Hong Kong. Whether a Hong Kong enterprise producing and directly exporting its products to the Mainland from a country/region outside Hong Kong could enjoy zero tariff preference would depend on the specific provisions of the FTA reached between that country/region and the Mainland. Moreover, the FTAs between Hong Kong and ASEAN countries would also provide certain tariff preferences for goods produced in these countries. DGTI added that Hong Kong had been a prime destination for enterprises to set up their operational bases, and had implemented a number of measures in this regard, including a concessionary tax rate of 50% reduction for specified treasury activities of qualifying corporate treasury centres ("CTC"), which aimed to reinforce Hong Kong's status as a premier destination for setting up a CTC.

*(Post-meeting note: Mr WU Chi-wai set out his questions on the subject above in a letter to the Panel Chairman dated 19 December 2018 (LC Paper No. CB(1)387/18-19(01)). The written response provided by the Administration was circulated to members on 22 January 2019 (LC Paper No. CB(1)493/18-19(01)).*

#### *Publicity of the Agreement*

21. Mr WONG Ting-kwong welcomed the signing of the Agreement and held that it would help Hong Kong enterprises develop the Mainland market. He hoped that the Administration could further explain to the industries the new calculation methods of the value added to the products in Hong Kong. He also enquired about the vetting procedure and organizations responsible for vetting and issuing the Certificate of Hong Kong Origin - CEPA ("CO(CEPA)") under the Agreement.

22. DGTI advised that the Administration's promotion campaign on the Agreement for the industries had started immediately upon the signing of the Agreement on 14 December 2018 with a seminar held on the same date for the major chambers of commerce. Seminars at different levels of technicality and targeted at different participants (e.g. management, technical staff of different industries) would continue to be organized to familiarize the industries with the rules under the Agreement (e.g. the General Rule, the Build-up and Build-down methods for calculation of the regional value content of the goods, etc.). She

added that the vetting and approving organizations of the CO(CEPA) under the Agreement would remain to be TID and the five existing Government Approved Certification Organizations, comprising the major chambers of commerce.

*Implementation details of the Agreement*

23. Noting that with the introduction of the General Rule for calculation of the value added to the products, the number of items covered under CEPA would be increased by about 6 000 items, the Chairman enquired whether the Administration had plans to strive for a much wider scope of products to be covered under CEPA and if not, when the coverage would be reviewed. He also enquired about the estimated savings for Hong Kong enterprises arising from zero tariff preference for those 6 000 items covered by the Agreement and the value of goods involved.

24. DGTI said that with the implementation of the Agreement on 1 January 2019, the first priority of the Administration was to ensure its smooth implementation. The Administration would continue to explain the details of the Agreement to trade associations and industries. Looking forward, the Administration would actively take forward the implementation of the Agreement by following up with the Mainland authorities on the implementation details of the various facilitation measures set out under the Agreement, including those related to customs clearance facilitation, testing and inspection, and facilitation of food processed in Hong Kong with materials originating from the Mainland. Implementation timetable might vary from measure to measure. In response to the Chairman's enquiry, DGTI advised that in 2017, the value of Hong Kong's exports to the Mainland of the items to be covered by the General Rule amounted to some HK\$5.4 billion and their prevailing tariff rates ranged from 0% to 65%. As such, savings arising from zero tariff preference for these items remained to be seen with the actual implementation of the Agreement for a certain period of time.

**V. City Innovation and Technology Grand Challenge**

(LC Paper No. CB(1)311/18-19(05) -- Administration's paper on "City Innovation and Technology Grand Challenge")

Presentation by the Administration

25. At the invitation of the Chairman, Under Secretary for Innovation and Technology ("US for IT") highlighted the salient points of the Administration's proposal to allocate HK\$500 million to organize the City Innovation and Technology ("I&T") Grand Challenge in the next five years, with a view to

encouraging the community to use I&T to tackle issues that were closely related to daily lives and enhancing the attention and focus of the society on I&T. US for IT said that the Administration would include sufficient provisions in the draft Estimates of the relevant years to meet the cost of the City I&T Grand Challenge. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)311/18-19(05)).

## Discussion

### *Format of the competition*

26. Noting that the City I&T Grand Challenge was preliminarily proposed to be divided into two groups, i.e. Open Group and Student Group, Mr CHAN Chun-ying considered that the theme of the Open Group competition should centre on identifying technology solutions which were practical for addressing the specific needs of various issues that were closely related to daily lives. He expected that the participants of the Open Group competition should be companies equipped with practical experience in application of new technologies or should be technology companies or start-ups specializing in research and development and product/service development and implementation.

27. Mr CHAN Chun-ying considered that the Student Group competition, on the other hand, should aim to inspire the younger generation's creativity. Since it was likely that teachers would play a vital role in guiding students in the participation of the competition, Mr CHAN suggested the Administration to organize workshops with leading I&T companies or technology enterprises to share their experiences with teachers of relevant local registered schools, which might help them learn how to guide students in preparing their proposals.

28. Commissioner for Innovation and Technology ("CIT") advised that the focus of the City I&T Grand Challenge was to identify potential technology solutions to tackle vexing problems in the community. In order to invite as many submissions as possible, the Administration proposed that the City I&T Grand Challenge be open for participation from all walks of life in the community with the Open Group covering not only technology companies and start-ups, but also interested individuals or teams, including those from universities. CIT added that shortlisted participants who had passed the preliminary assessment would be arranged to attend different workshops so as to facilitate them to refine their proposals and to turn innovative concepts into more detailed implementation plans before the final round of the competition. Winning solutions would be tried out in the public sector.

29. Expressing support for the implementation of the City I&T Grand Challenge, the Chairman referred to the Open Group competition and was concerned that

among all proposed types of participants, companies or organizations, in particular large-scale enterprises, might possess more resources collectively than other types of participants such as individuals or teams. For reason of fairness, the Chairman opined that companies or organizations should better be included in a new group separately from the two proposed groups. CIT replied that the competition was preliminarily proposed to be divided into two groups and the Administration would take into account members' views for further consideration.

30. Mr SHIU Ka-fai supported the City I&T Grand Challenge and the continued development of I&T in Hong Kong at large. Although he agreed that generally students and the younger generation would well be familiar with the application of new technologies, they might be in lack of in-depth understanding of specific issues facing different districts of the community and the operation of public sector organizations. He suggested the Administration to assist students in getting to know more about local issues facing different districts of the community by way of, for example, meetings with District Council members and forming discussion groups with representatives of the public sector organizations. CIT took note of Mr SHIU's suggestion.

31. Noting that one of the objectives of the City I&T Grand Challenge was to create a fervid I&T atmosphere and strengthen popular science education, and the competition was not just a one-off arrangement, Mr SHIU Ka-fai opined that the Administration should consider providing sufficient financial incentives to winners of the competition so as to encourage students and members of the public to join the competition. In the long run, he suggested that the Administration should attract young talent to pursue their career in I&T by facilitating the creation of more high-income jobs in the I&T industry. Dr CHIANG Lai-wan shared a similar view and agreed that cash prizes should be granted to the finalists of the competition as an incentive.

32. Mr MA Fung-kwok supported in principle the Administration's proposal to organize the City I&T Grand Challenge and held no strong view on the proposed assessment mechanism. He enquired whether the Student Group competition should be organized by the Education Bureau instead of the Innovation and Technology Bureau ("ITB"). CIT advised that the City I&T Grand Challenge aimed to create a fervid I&T atmosphere and promote the use of I&T to tackle problems. It was appropriate for ITB to lead the initiative.

#### *Realization of the winning solutions*

33. Dr CHIANG Lai-wan referred to the experience of similar competitions overseas and suggested that the Administration should take the opportunity to involve investors and manufacturers in the organization of the City I&T Grand Challenge, which should be an impetus to facilitate the commercialization of

winning entries. Dr CHIANG also urged the Administration to step up its efforts to widely promote the competition by engaging media such as the Radio Television Hong Kong and major television networks. Major chambers of commerce, in particular manufacturing and industrial-related chambers, should be invited to be sponsors or co-organizers of the competition to enhance synergy. CIT took note of Dr CHIANG's suggestions.

34. Ir Dr LO Wai-kwok supported the City I&T Grand Challenge. Yet, he observed that people who had innovative ideas with great potential for development were reluctant to take part in similar competitions as they were worried that their innovative ideas would be copied by other companies for product development and implementation. It might end up in a situation in which most of the proposals, if not all, were not practical and low in potential for commercialization. Hence, he suggested that the Administration might have to refine the objectives and assessment criteria of the competition to address the above concern. He would regard the competition as successful if it could draw the attention of investors and venture capital funds to invest in the product development of the winning entries.

35. The Chairman expressed concern about the potential conflict of interests between participants and members of the assessment panel, in particular the investors. He sought details of what the Administration would do to safeguard against possible conflict of interests.

36. CIT advised that one of the reasons for inviting investors to be members of the assessment panel was that the Administration intended to make use of investors' relevant experience to advise on the development feasibility and market potential of the shortlisted proposals. The Administration would establish a declaration mechanism to safeguard against any real, potential or perceived conflict of interests.

37. Expressing support for the proposed allocation of HK\$500 million to organize the City I&T Grand Challenge, Mr WU Chi-wai hoped that the winning entries would mostly be related to I&T-based solutions with high potential for commercialization. He said that "eco-paver", a prize-winning local invention for more than 10 years, was eventually implemented in the market only after it had been adopted for use by the Government. Mr WU then sought details on how the Administration would support product development and implementation of the winning entries and whether the Administration would take the lead to procure such products.

38. On follow-up product development and implementation of the I&T-based solutions, Mr MA Fung-kwok was of the view that comparatively speaking, market players might do better than HKSTPC and the Government. He therefore

suggested that the Administration should adopt a market-led approach and offer a matching fund to encourage the private sector to invest in technology solutions. Mr WU Chi-wai also pointed out that in similar overseas competitions, proposals which passed the assessment on creativity, applicability and marketability would usually be matched with investors.

39. CIT responded that one of the objectives of the City I&T Grand Challenge was to realize innovative ideas and inventions and bring them into the daily lives of the society. The Administration would set a theme related to a vexing problem in the community and invite participants to put forward I&T-based solutions to tackle the problem. Relevant public organizations or Government departments would be involved in the assessment panel. The Administration would select one or more solutions and provide support for the winners to refine and further develop the technologies or concepts for trials in solving the problem concerned.

40. CIT further said that HKSTPC was a key partner to assist in organizing the competition. The Administration would also invite the I&T industry, chambers of commerce and other stakeholders to join the assessment panel.

41. Mr MA Fung-kwok sought clarification on the ownership of the intellectual property ("IP") rights of the proposals submitted by the participants. CIT advised that participants would own all IP rights arising from their proposals. The Administration would at the same time be entitled to use the winning entries so that the innovative ideas and inventions could be realized for use in the community. CIT also replied in the affirmative on Mr MA's enquiry as to whether proposals adopting artificial intelligence technology would be acceptable for the competition.

42. Regarding the funding support for realization of the winning entries, the Chairman noted that funds would be disbursed to the winners by instalments. To ease the liquidity of the winners, particularly in the case of individuals/teams, and help them diversify the risk, the Chairman asked whether the winners would be informed of the disbursement arrangement in advance.

43. CIT advised that the Administration would make reference to the existing funding schemes under the Innovation and Technology Fund and formulate detailed guidelines for its funding support. Winners would be provided with an upfront payment and the subsequent instalments of the funding would be disbursed based on the relevant progress and the milestones in product or system development.

#### *Expenditure of the competition*

44. Mr CHAN Chun-ying noted that the Administration proposed to allocate HK\$500 million to meet the expenditure of the City I&T Grand Challenge in the

coming five years. He sought details of a breakdown of expenditure by item and enquired whether the proposed funding would be spent evenly during the five-year period.

45. CIT responded that the majority of the funding resources would be used to support the realization, refinement and trial of the selected solutions. It was envisaged that the other expenditure items (e.g. awards, promotion and organization of workshops, etc.) would unlikely be very costly. CIT added that it would be difficult to give the exact breakdown as the expenditure would vary with the different themes and selected solutions of the competition. The amount of funding support for realization of the selected entries could not be fixed at this stage as it would depend on the solutions' specific content, technology field, estimated cost of development and the availability of other sources of funding/sponsorship.

46. Mr SHIU Ka-fai agreed to the proposal of engaging HKSTPC as a key partner to assist in organizing the competition. He urged the Administration to provide sufficient resources to HKSTPC which had already been assigned a number of missions in recent years. Mr MA Fung-kwok however raised concern that HKSTPC might spend too much on hiring additional staff to cope with the extra workload. He sought details of the proposed funding, after discounting administrative expenses, which would be used to support the follow-up product development and implementation of the selected solutions.

47. Mr WU Chi-wai hoped that the resources would be used mostly on cash prizes and further product development of the winning entries instead of on supervising the implementation and effectiveness of the City I&T Grand Challenge as in other schemes run by the Administration.

48. CIT reiterated that the majority of the funding resources would be used to support the realization, refinement and trial of the selected entries. With the involvement of the relevant Government departments in the assessment panel and the follow-up product development and implementation, it was expected that the administrative fees could be minimized. She also advised that the Finance Committee had approved in July 2018 to inject HK\$10 billion into HKSTPC to strengthen its infrastructure and enhance support for its tenants/incubatees. The Administration would further discuss with HKSTPC on the necessary extra manpower and whether HKSTPC would be able to organize the competition with its existing resources.

49. Mr CHUNG Kwok-pan expressed support for the City I&T Grand Challenge which would help foster I&T development in Hong Kong. Yet, in the absence of concrete information on the implementation details and the budget for the City I&T Grand Challenge, he had reservation in supporting the proposed funding



allocation. Mr CHUNG held that since the Administration had confirmed that the proposed funding would not cover any administrative expenses, he questioned whether the proposed allocation of HK\$500 million was way excessive. He considered that the Administration should provide more detailed information to facilitate Members to monitor the public expenditure. Ir Dr LO Wai-kwok shared a similar view.

50. CIT replied that the Administration planned to organize the first competition in the second half of 2019. In the meantime, the Administration would finalize the implementation details and liaise with other Government departments to identify livelihood issues to be the theme of the competition.

51. CIT also advised that it was difficult to submit a more concrete estimate at this stage as the amount of expenditure would depend on the theme of the competition, the number of solutions to be funded and their specific content. In view of uncertainties, the Administration proposed to earmark HK\$500 million for the competition so as to give more flexibility in selecting solutions for further development and realization. She said that a more accurate estimate would be available after completion of the first City I&T Grand Challenge.

#### Summing up

52. The Chairman concluded that the Panel supported in principle the Administration's proposal on the allocation of HK\$500 million to organize the City I&T Grand Challenge in the coming five years.

#### **VI. Any other business**

53. There being no other business, the meeting ended at 4:30 pm.