

**立法會**  
**Legislative Council**

LC Paper No. CB(1)699/18-19  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 15 January 2019, 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 WU Chi-wai, MH  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Hon Martin LIAO Cheung-kong, SBS, JP  
Dr Hon CHIANG Lai-wan, SBS, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon CHU Hoi-dick  
Hon Jimmy NG Wing-ka, JP  
Hon SHIU Ka-fai  
Hon CHAN Chun-ying, JP
- Members absent** : Hon Steven HO Chun-yin, BBS  
Hon Dennis KWOK Wing-hang  
Hon CHUNG Kwok-pan  
Hon LAU Kwok-fan, MH

**Public officers  
attending**

**: Agenda item III**

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

Mr Bryan HA  
Assistant Commissioner for Innovation and  
Technology (Funding Schemes)

Agenda item IV

Trade and Industry Department

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

Miss Winky SO, JP  
Deputy Director-General of Trade and Industry  
(Multilateral Trade, Regional Cooperation &  
Bilateral Trade)

Miss Monica CHEN  
Assistant Director-General of Trade and Industry  
(Regional Cooperation)

Ms Jenny LEE  
Assistant Director-General of Trade and Industry  
(Multilateral Trade)

**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. Information papers issued since last meeting**

(LC Paper No. CB(1)383/18-19(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 June to 31 August 2018

File Ref: CITB CR 75/53/10 and -- Legislative Council Briefs on United Nations Sanctions (Mali) Regulation 2018 and United Nations Sanctions (Democratic Republic of the Congo) Regulation 2018  
CITB CR 75/53/4

LC Paper No. CB(1)433/18-19(01) -- Letter dated 8 January 2019 from  
(*Chinese version only*) Hon CHU Hoi-dick regarding his request for discussion on the implementation of, and effectiveness of the measures taken by Hong Kong Customs and Excise Department in law enforcement in the trade control of strategic commodities)

Members noted the above papers issued since the last meeting. The Chairman informed members that the Administration had been requested to provide a written response to the issues and concerns raised by Mr CHU Hoi-dick in his letter (LC Paper No. CB(1)433/18-19(01))(Chinese version only). The Chairman said that depending on the content of the response by the

Administration, he would further consider Mr CHU's request in his letter.

*(Post-meeting note: The Administration's reply to Hon CHU Hoi-dick's letter was circulated to members on 11 February 2019 (LC Paper No. CB(1)555/18-19(01).)*

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

(LC Paper No. CB(1)406/18-19(01) -- List of outstanding items for discussion

LC Paper No. CB(1)406/18-19(02) -- List of follow-up actions)

2. Members noted that the next regular Panel meeting would be held on 19 February 2019 at 2:30 pm to discuss the following items proposed by the Administration –

- (a) Promotion of Intellectual Property ("IP") Trading; and
- (b) Findings of the Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong and the Start-up Survey.

**III. Progress report on the Innovation and Technology Fund**

(LC Paper No. CB(1)406/18-19(03) -- Administration's paper on "Progress of Innovation and Technology Fund and Continuing the Funding Support to Promote Technology Transfer and Commercialisation of Research and Development Results after 2018-19"

LC Paper No. CB(1)406/18-19(04) -- Paper on the initiatives for promotion of innovation and technology under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

3. At the invitation of the Chairman, Under Secretary for Innovation and Technology ("US for IT") briefed members on the implementation progress of

various funding schemes under the Innovation and Technology Fund ("ITF") and sought members' support for the proposal to continue and increase the funding support through ITF for State Key Laboratories ("SKLs"), Hong Kong Branches of Chinese National Engineering Research Centres ("CNERCs"), Technology Transfer Offices ("TTOs") of designated local universities, and the Technology Start-up Support Scheme for Universities ("TSSSU"), as well as the related enhancement measures. Details were set out in the Administration's paper (LC Paper No. CB(1)406/18-19(03)).

Discussion

*Achievements of the Innovation and Technology Fund*

4. The Chairman urged the Administration to consider including in its next report to the Panel information on the achievements of ITF in terms of number and education level of the research and development ("R&D") talent funded by the various programmes under ITF, as well as the commercial value of the technology products/services realized from ITF funded R&D projects. Dr CHIANG Lai-wan also expressed concern on the effectiveness of ITF and achievements of the ITF funded projects especially the commercialization of R&D deliverables. She requested the Administration to provide supplementary information on the details of each of the funding schemes under ITF since their launch, including (a) the respective numbers of applications received and approved, and the amount of funding granted thereof; (b) the key performance indicators set for each funding scheme and the respective outcomes of the indicators; and (c) the respective numbers of applicant companies which had closed down after the grant of funding.

Admin

5. Commissioner for Innovation and Technology ("CIT") said that ITF had supported 310 postdoctoral talent (since August 2018) and over 3 700 R&D interns (since 2004). About 70% of these R&D interns indicated that they would either continue their career or planned to pursue a career in innovation and technology ("I&T") related areas which was an indicator that the Internship Programme was effective in nurturing R&D talent. Regarding the programmes to fund research centres, laboratories and TTOs of designated local universities, CIT said that local universities had successfully commercialized some of their research outcomes. For example, two technology companies originated from local university had already become unicorn enterprises. These two companies had received ITF funding support during their early years of development. The major achievements of TSSSU had been set out in Annex D to the Administration's paper. In respect of the outcomes of the private sector's R&D activities funded by the Enterprise Support Scheme ("ESS"), CIT considered it premature to evaluate ESS as it was only introduced in 2015 and many of the funded projects had yet to be completed. In any case, private companies with R&D projects funded by ESS

usually had other businesses and whether they would continue or close down their businesses might not be a direct result of the outcomes of the approved ESS projects.

6. As for Dr CHIANG's request for holding another meeting to further discuss ITF's effectiveness after receiving the Administration's supplementary information, the Chairman responded that he would further consider the request depending on the content of the Administration's reply.

7. Mr Charles Peter MOK opined that similar to Hong Kong, governments of many countries had in the past emphasized too much on the effectiveness and the short-term returns of their investments in I&T. Such governments usually cut off investment in I&T whenever the results of the I&T projects were worse than expected. It eventually hindered I&T development and hence it might have explained why the annual gross expenditure on R&D in Hong Kong accounted for only less than 1% of Hong Kong's Gross Domestic Product ("GDP"). He was of the view that the Panel should not evaluate ITF by simply studying ITF's total expenditure and the number of successful projects.

#### *Positioning of the Innovation and Technology Fund*

8. In view of the low annual gross expenditure on R&D in Hong Kong, Dr CHIANG Lai-wan expressed support for the Government to increase funding to support R&D activities and re-industrialization in Hong Kong. She suggested the Government to increase ITF's annual expenditure to a level equivalent to 2% of Hong Kong's GDP and to grant funding on the condition that GDP growth could be boosted as a result. Dr CHIANG held that ITF should concentrate its resources on encouraging enterprises to undertake more R&D projects instead of subsidizing enterprises in hiring R&D interns and postdoctoral talents.

9. CIT responded that private enterprises might apply for ESS which provided matching fund for them to carry out R&D activities. Besides, TSSSU supported university professors and students to start technology businesses and commercialize their R&D results. It was hoped that the Government's investment in I&T would in turn incentivize the private sector to invest more on R&D so as to boost Hong Kong's annual expenditure on R&D and GDP.

10. Ir Dr LO Wai-kwok supported the Government's continued investment in I&T by providing funding support and implementing the enhanced tax deduction regime for qualifying R&D activities. He said that the overall I&T development in Hong Kong, in particular the progress on commercialization of R&D results, was still lagging behind other cities in the region although ITF spending, the number of prize winning technology solutions and the number of patents licensed

had increased in the past years. Ir Dr LO referred to the cases of rideable autonomous drone and driverless ship that locally developed technologies could only be commercialized and developed in other countries/places eventually. He sought further elaboration on the Administration's strategies to promote the commercialization of local R&D results in Hong Kong, the industrialization of locally developed technology products, and ultimately the internationalization of Hong Kong's technology industry.

11. CIT replied that the Administration had been proactively promoting the commercialization of local R&D deliverables in Hong Kong. Two notable examples were the face recognition technology and the non-invasive prenatal test which were developed by two local unicorn enterprises. Following the evolvement of ITF over the years, ITF had different funding schemes that supported different aspects of the I&T ecosystem. In addition to R&D activities, ITF also supported the commercialization of R&D deliverables by funding technology start-ups of local universities through TSSSU and co-investing with private venture capital funds in local I&T start-ups through the Innovation and Technology Venture Fund.

12. Mr CHAN Chun-ying pointed out that none of the funding schemes was dedicated to financial technology or e-commerce although financial services were one of the key industries in Hong Kong. He suggested that the Administration should consider establishing trade-specific programmes to facilitate the development of particular trades.

*Vetting and approval procedures of funding applications*

13. Mr Charles Peter MOK relayed the comments of I&T companies that staff of the Innovation and Technology Commission ("ITC") were generally willing to assist them in applying for ITF funding. However, I&T start-ups and small and medium enterprises commented that they found it difficult to handle the administrative work associated with their ITF funding applications due to the lack of experience and resources. Their concerns on the Technology Voucher Programme ("TVP"), ESS and the Postdoctoral Hub included –

- (a) the excessive long processing time for the vetting and approval of funding applications and the payment of the approved subsidies;
- (b) the complicated application procedures such as applicant enterprises had to submit duly signed and stamped original copy of the supporting documents after they had electronically submitted their applications through the Innovation and Technology Commission Funding Administrative System;

- (c) as regards TVP, the bidders/tenderers were generally reluctant to sign the required Probity and Non-Collusive Quotation/Tendering Certificate as they knew that their bids/tenders were not genuine business opportunities but only used for satisfying the quotation/tender requirements for TVP applications; and
- (d) as regards ESS, there was a restriction that shareholding employees were not allowed to take salary from the project fund (i.e. the ITF funding and the recipient company's matching fund) although it was common for the I&T industry to award company shares to their key I&T staff.

Mr MOK urged the Administration to consult the ITF applicants and make improvement to the application procedures and arrangements of the funding schemes. He further suggested the Administration to include details of the enhancement measures in its next report to the Panel. Dr CHIANG Lai-wan also called on the Administration to speed up the processing time for ITF applications.

14. CIT took note of the comments and responded that the Administration had recently relaxed the ESS rules so that employees holding shares in the company concerned might take salary from the project fund subject to their declaration on their actual time spent on the R&D project concerned.

15. Noting that only around 30% of ESS and the Patent Application Grant ("PAG") applications were supported, Mr Jeffery LAM enquired about the reasons for the low success rate, and asked whether the application requirements were too strict that applicant enterprises were unable to meet. He also enquired the average number of attempts an applicant enterprise had to take to meet the application requirements eventually.

16. CIT clarified that the success rate for PAG application was about 95%. The figure of 729 applicants as stated in the Administration's paper only referred to the number of applicants that had successfully applied for patents after receiving funding under PAG. She added that the success rate for ESS had increased from less than 20% during the initial period of the scheme to 47% in the past few months, resulting in an overall success rate of about 33%.

17. CIT explained that a number of factors would affect the success rate: (a) some applicant enterprises had mixed up different funding schemes and thus their applications fell outside the objective and scope of the funding schemes they applied for and could not be further processed; and (b) some applicant enterprises had not submitted the essential information to support their applications. In this connection, the Administration had taken a number of enhancement measures to



streamline the application procedures, for example, guidelines for submitting applications and sample of completed application forms were available on the ITF website for reference by applicant enterprises. ITC staff would also contact the applicant enterprises directly for additional supporting information.

18. Noting that the funding schemes were now categorized into five major groups, Mr CHAN Chun-ying enquired whether the Administration would consider consolidating funding schemes with similar nature so as to make the funding schemes more user-friendly and streamline the operation of ITF. He also asked if there was any restriction for an applicant enterprise to apply for funds from more than one funding scheme with the same R&D project. If not, in the course of vetting the ITF applications, whether the Administration would remind the applicants to consider applying for additional funds from other applicable funding schemes.

19. CIT explained that since the establishment of ITF in 1999, various funding schemes had been introduced in response to the changing needs of the I&T industry and the society over the years. In respect of combining funding schemes of similar nature, CIT said that the Administration would launch the Partnership Research Programme ("PRP") in January 2019 by merging the University-Industry Collaboration Programme ("UICP") and the collaborative stream of the Innovation and Technology Support Programme ("ITSP") as well as rationalizing the requirements such that PRP would adopt more flexible arrangements to encourage more collaborative R&D projects. CIT welcomed Mr CHAN's suggestion and would identify further opportunities to consolidate different funding schemes as appropriate.

20. CIT added that applicant enterprises might apply for support from more than one funding scheme and the Administration would consider all such applications independently. For example, after conducting R&D projects in partnership with designated local public research institutions under ITSP, UICP, or PRP upon its launch in late January 2019, private companies might apply for cash rebate on its expenditure under the Cash Rebate Scheme. Private companies could further enjoy enhanced tax deduction for qualifying R&D activities at the same time.

*State Key Laboratories, Hong Kong Branches of Chinese National Engineering Research Centres and Technology Transfer Offices of designated local universities*

21. Mr CHAN Chun-ying noted that although TTOs of the designated local universities were funded by ITF, the universities were not required to return the profit generated from the commercialization of R&D results to the Government and there was no requirement on the use of such profit. As the ITF funding to TTOs was public money, Mr CHAN considered that the Administration should

request the universities to use such profit only on its future R&D activities and technology transfer so that the annual funding to TTOs could gradually be reduced and the amount saved could be used to fund the other funding schemes.

22. CIT responded that while the use of such profit varied among universities, they were mainly used (a) for incentivizing the relevant R&D team and researchers; (b) on faculties/departments which supported the R&D projects; and (c) on the universities itself for R&D and technology transfer work. As the universities had established their own mechanisms for proper use of such profit, CIT considered it unnecessary for the universities to return the profit to the Government. The existing arrangement was considered effective in striking a balance between administrative efficiency and prudent use of public money.

23. Noting that each of the 16 SKLs and the 6 Hong Kong Branches of CNERCs was provided with an annual funding of up to HK\$5 million (to be increased to HK\$10 million as proposed by the Administration) across the board although they focused on different research areas and had different levels of R&D expenditure, Mr MA Fung-kwok enquired about the reasons for that and whether the Administration would establish a mechanism to provide SKLs and Hong Kong Branches of CNERCs with additional funding when they undertook costly R&D projects. He further sought elaboration on the sources of income of SKLs and Hong Kong Branches of CNERCs, in particular whether the Central Government had provided them with any funding support through its science and technology funding and how far the ITF funding had covered their overall expenditure. Mr MA also sought details on the expenditure of TTOs and their outcomes of work.

24. CIT said that the annual funding from ITF only covered part of the expenditure of SKLs and Hong Kong Branches of CNERCs as they also received funding support from sponsorships, contract R&D projects and their hosting universities. The ratio of the annual ITF funding to their overall expenditure varied as their expenditure largely depended on the number of on-going R&D projects. For TTOs, ITF funding constituted around 10% to 30% of their annual expenditure (ranging from approximately HK\$10 million to approximately HK\$30 million) and they also received income from the University Grants Committee ("UGC") and the hosting universities. TTOs were required to submit information to ITC annually, including the number of patents filed/granted/licensed, income generated from IP rights of patents licensed and the number of spin-off companies, etc. Any shortfall in the expenditure of SKLs, Hong Kong Branches of CNERCs and TTOs would be met by their hosting universities.

25. CIT added that SKLs and Hong Kong Branches of CNERCs were recognized/approved by the State Ministry of Science and Technology ("MOST")

for their leading position in the respective technology areas. The Administration had been providing them with annual funding to meet the expenditure on manpower, equipment and consumables and not on a project-by-project basis to minimize the administrative burden of ITC and the hosting universities. After consulting SKLs and Hong Kong Branches of CNERCs, the Administration had decided to continue with the existing arrangement.

Admin

26. In response to Mr MA Fung-kwok's request for (a) a list of on-going R&D projects currently undertaken by each of the SKLs and Hong Kong Branches of CNERCs as well as the list of products/services developed from the realization of their R&D results; and (b) a list of products/services developed through the technology transfer and realization of R&D results by TTOs of designated local universities funded under ITF, CIT agreed to provide the relevant information.

### *Technology Voucher Programme*

27. Noting that only 1 564 companies had submitted applications under TVP (excluding those with applications subsequently withdrawn), Mr Christopher CHEUNG held that the number was minimal compared to the total of 1.4 million companies in Hong Kong. To further encourage local companies to apply for TVP, he urged the Administration to increase the amount of cumulative funding ceiling from HK\$200,000 to HK\$500,000 for each company, relax the requirement on the applicant enterprises' contribution from no less than one third to no less than one fifth of the total approved project cost, and further relax the eligibility criteria. Mr CHEUNG also enquired about the number of funded companies which belonged to the financial services sector, and urged the Administration to step up promotion of TVP to the sector by organizing briefing sessions for the Hong Kong Securities Professionals Association, which was one of the providers of continuous professional training approved by the Securities and Futures Commission.

28. CIT took note of Mr CHEUNG's suggestions and said that the Administration had relaxed the eligibility criteria for TVP in February 2018 such that all local non-listed enterprises, irrespective of their size and duration of operation, would be eligible to apply for TVP. Among the 1 564 companies which had applied for TVP, 40 companies (involving 28 approved cases and other applications under processing) belonged to the financial services sector. The Administration had organized around 80 briefing sessions for different industries, including two sessions for the financial services sector. The overall success rate of TVP applications was 96%.

29. The Chairman noted that TVP had provided a total funding of about HK\$138 million since its introduction in 2016. He asked whether the

Administration had taken any follow-up action to assess the effectiveness of TVP. CIT replied that enterprises supported by TVP were required to submit a final report together with the receipts in relation to the payment for each expenditure item before they were released the final payment. The Administration also conducted random checks on individual TVP projects through site visits.

#### *Mainland-Hong Kong Joint Funding Scheme*

30. The Chairman noted that the Administration planned to launch the Mainland-Hong Kong Joint Funding Scheme ("MHKJFS") in the first half of 2019. He enquired about its budget, its differences from the existing Guangdong-Hong Kong Technology Cooperation Funding Scheme ("TCFS"), and whether MHKJFS would be run by ITC or MOST.

31. CIT advised that TCFS was jointly set up by the governments of the Hong Kong Special Administrative Region and the Guangdong Province in 2004 to encourage R&D collaboration between the two places. The Shenzhen Municipal Government joined TCFS in 2005. MHKJFS aimed to encourage further R&D collaboration with other provinces in the Mainland. The funding model and modus operandi of MHKJFS would largely follow that of TCFS. Briefly, ITC and MOST would separately vet the applications, following each party's own criteria. Only applications that were supported by both ITC and MOST would be approved for joint funding support. ITC and MOST would provide funding to the Hong Kong and Mainland applicants respectively, and would monitor project progress according to their own requirements.

#### *Internship Programme and Postdoctoral Hub*

32. Mr Charles Peter MOK pointed out that the Administration had in the past indicated to consider extending the Internship Programme to cover all I&T companies in Hong Kong after implementing a trial scheme which was restricted to ITF recipients as well as incubatees/I&T tenants of the Hong Kong Science and Technology Parks Corporation and Cyberport. While the Internship Programme had been launched for a long time and had supported over 3 700 interns, he asked when the Administration would expand the coverage of all those funding schemes with similar restrictions including but not limited to the Internship Programme and Postdoctoral Hub so as to benefit all local I&T companies.

33. CIT said that ITF recipients covered by the Internship Programme included both designated local public research institutions and local I&T companies undertaking ITF funded R&D projects. Therefore, quite some local I&T companies were currently eligible for the Internship Programme. Nevertheless, the Administration did intend to review the eligibility criteria for the Internship

Programme at a later stage. CIT added that if the Internship Programme was extended to cover all local I&T companies, the Administration would need more time to vet such applications to examine whether the core business activities of the applicant enterprises were I&T related and whether the proposed duties to be assigned to the interns were R&D related so as to ensure proper use of public money.

34. Dr CHIANG Lai-wan asked whether the Administration had studied the number of jobs cut when the I&T companies were no longer provided with monthly allowances to engage R&D interns after the end of the approved internship period under the Internship Programme. In respect of Postdoctoral Hub, she enquired whether the monthly allowance of HK\$32,000 provided by ITF was sufficient to hire experienced R&D talent and whether it was common for the I&T companies to remunerate the postdoctoral talent above the amount of the monthly allowance.

35. CIT replied that although there were cases that the internships were cancelled due to early termination of the concerned R&D projects, most of the I&T companies were able to complete the approved internship period with their interns. The Administration however did not have information on the number of jobs cut after the internship period ended. For the Postdoctoral Hub, CIT said that the applicant enterprises were at liberty to remunerate the postdoctoral talent at a salary level higher than the amount of monthly allowance from ITF and there were cases that the postdoctoral talent were paid more than HK\$32,000 a month. As the Postdoctoral Hub intended to offer I&T job opportunities for fresh graduates of doctoral degree to pursue a career in I&T, it was considered that the current amount of monthly allowance was appropriate and, if necessary, the amount might be reviewed in the future.

#### *Midstream Research Programme*

36. Noting that the Midstream Research Programme ("MRP") had supported only 18 projects involving some HK\$78 million since it was launched in 2016, Ir Dr LO Wai-kwok opined that the progress was too slow and suggested the Administration to better utilize the fund to support UGC-funded institutions in conducting midstream research projects.

37. CIT responded that MRP, which relied on the investment return from the endowment of HK\$2 billion and invited applications once a year, aimed to encourage UGC-funded institutions to conduct theme-based midstream research in key technology areas. The theme for the first two rounds of MRP was "Elderly Health and Care" and R&D teams in the relevant disciplines had submitted project proposals. In future, the Administration would consider setting a theme with a

wider coverage so that more researchers could apply for MRP. Besides, UGC-funded institutions might also apply for funding under ITSP when conducting midstream R&D projects.

*Others*

38. Noting the absence of the Secretary for Innovation and Technology ("S for IT") from the meeting, Dr CHIANG Lai-wan said that in view of the substantial capital injection into ITF over the years, she requested S for IT to attend future meetings for discussion of ITF. US for IT noted Dr CHIANG's comment and said that S for IT was unable to attend the meeting due to other commitments.

Motion moved by Dr CHIANG Lai-wan

39. The Chairman referred members to the following motion moved by Dr CHIANG Lai-wan which was tabled at the meeting –

"創新及科技基金("基金")下各項資助計劃累計至今已獲撥款超過 300 億港元，但有不少意見反映，各計劃獲資助的項目未見成果。就此，本委員會促請政府：

- (一) 為方便申請基金轄下 10 多個資助計劃，應考慮設立一個中央統籌的前線辦事處以提供一站式服務，協助企業申請相關計劃；
- (二) 應研究簡化申請門檻，以便申請機構/企業早日取得資助以加快營運或研發；
- (三) 在審批各項申請時，應以可提升本港生產總值增長為基準前提下審批申請；及
- (四) 鑒於目前資助計劃以資助大學及各研發中心為多，研究增加直接資助企業的比重，以吸引更多企業從事研發。"

(Translation)

"While various funding schemes under the Innovation and Technology Fund ("ITF") have up to now received grants accumulating to over HK\$30 billion, there have been views that the achievements made by the funded projects under these schemes are far from satisfactory. In this connection, this Panel urges the Government to:

- (1) with a view to facilitating the application for some 10 funding schemes under ITF, consider setting up a centralized frontline office to provide one-stop services to assist enterprises in their submission of applications;
- (2) consider simplifying the application procedures, so as to enable applicant organizations/enterprises to obtain funding support expeditiously for early commencement of their operation/research and development ("R&D") activities;
- (3) in vetting and approving the applications, grant funding on the premise that Gross Domestic Product growth may be boosted as a result; and
- (4) given that currently funding is mainly granted to projects initiated by universities and R&D centres under the funding schemes, study giving a heavier weighting of direct funding to enterprises, so as to attract more enterprises to conduct R&D activities."

40. The Chairman decided that the proposed motion was directly related to the subject matter of the agenda item. Members had no objection to the Panel dealing with the motion. The Chairman then put the motion to vote. Of the members present, 8 members voted for and no member voted against the motion.

41. The Chairman declared that the motion was carried.

*(Post-meeting note: The wording of the motion passed was issued to members vide LC Paper No. CB(1)469/18-19(01) on 16 January 2019 and the Administration had been requested for response. The Administration's response was issued to members vide LC Paper No. CB(1)589/18-19(01) on 15 February 2019).*

### *Summing up*

42. Members in general raised no objection to the Administration's proposal to continue and increase the funding support through ITF for SKLs, Hong Kong Branches of CNERCs, TTOs of designated local universities, and TSSSU as well as implement the proposed enhancement measures from 2019-2020 onwards.

**IV. Discussion at multilateral and regional fora on trade facilitation initiatives**

(LC Paper No. CB(1)406/18-19(05) -- Administration's paper on "Discussion at Multilateral and Regional Fora on Trade Facilitation Initiatives"

LC Paper No. CB(1)406/18-19(06) -- Paper on Hong Kong's participation in the World Trade Organization and other international and regional fora prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

43. At the invitation of the Chairman, Director-General of Trade and Industry ("DGTI") highlighted the key discussions on trade facilitation initiatives in the World Trade Organization ("WTO") and Asia-Pacific Economic Cooperation ("APEC"), details of which were set out in the Administration's paper (LC Paper No. CB(1)406/18-19(05)).

Discussion

*Investment agreements*

44. Mr CHAN Chun-ying noted that out of the 20 investment agreements ("IAs") which Hong Kong had signed with different foreign economies, only one of the IAs was signed with a Member State of the Association of Southeast Asian Nations ("ASEAN"), i.e. Thailand. Mr CHAN enquired why other ASEAN Member States ("AMS") which had close bilateral trade and investment ties with Hong Kong, including Singapore, Malaysia and Indonesia, had not signed IAs with Hong Kong.

45. DGTI advised that upon the signing of a Free Trade Agreement ("FTA") with ASEAN, Hong Kong also signed an IA with ASEAN as a whole. The IA between Hong Kong and Thailand as an individual AMS was signed prior to the signing of FTA and IA with ASEAN. The Administration would not rule out the possibility of signing IAs with individual AMS. Generally speaking, IAs would provide Hong Kong investors with fair and equitable treatment, as well as full protection and security in respect of their investments in foreign markets.

46. In response to the Deputy Chairman's enquiry about the progress of



negotiating an IA with the European Union ("EU"), DGTI advised that Hong Kong had signed IAs with some individual EU member states, and was striving for the negotiation of a pan-EU IA, which would offer comprehensive investment protection to both Hong Kong and EU investors. The progress of work in this respect would depend on EU's priorities of work and its obtaining mandate from individual EU member states.

*Free trade agreements*

47. The Deputy Chairman sought details of the Administration's work plan to implement the FTAs which Hong Kong had signed with other economies, the problems encountered in this respect and the assistance which could be rendered by Members of the Legislative Council ("LegCo").

48. DGTI advised that many of the FTAs which Hong Kong had signed with other economies were already in force, for example, the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"); the Hong Kong, China – New Zealand Closer Economic Partnership Agreement; the FTA between Hong Kong, China and Chile; and the FTA between Hong Kong, China and Member States of the European Free Trade Association. The Administration would strive for bringing the FTA with ASEAN into force within 2019 and expected that the FTA with Georgia would take effect soon. The FTA negotiations with Australia had recently been concluded and the FTA would be signed after completion of the required internal procedures by both sides.

49. DGTI added that after the signing of new FTAs, subsidiary legislation would be made to update the list of scheduled trade arrangements in Schedule 1 to the Trade Descriptions Ordinance (Cap. 362) to enable Hong Kong traders to apply the preferential rules of origin specified under the FTA. The on-going assistance rendered by LegCo Members in vetting/approving such subsidiary legislation to ensure their smooth and expeditious implementation was much appreciated. Moreover, LegCo Members might assist in lobbying the governments or parliaments of the relevant overseas economies for expediting their respective internal procedures to implement the FTAs concerned.

*APEC's work on trade facilitation and digital economy*

50. The Chairman enquired about the Administration's effort in enhancing the competitiveness and internationalization of micro, small and medium sized enterprises ("MSMEs") in the digital era through spearheading the development of the APEC-wide cooperative online dispute resolution ("ODR") framework, and how the Administration would promote the use of digital technology to enhance the competitiveness of MSMEs.

51. DGTI advised that the APEC-wide cooperative ODR framework was proposed and spearheaded by Hong Kong to enhance MSMEs' competitiveness and internationalization by using digital technology for dispute resolution and electronic agreement management. The initiative aimed to bring down the legal cost and remove language barriers associated with dispute resolution faced by MSMEs involved in international trade through the use of an online platform. The initiative was led by the Department of Justice as issues pertaining to legal and contractual disputes were involved and it had gained wide support in APEC with 14 co-sponsoring member economies. As a start, the ODR initiative would be launched as a pilot scheme.

52. DGTI added that the Trade and Industry Department provided support to the Small and Medium Enterprises Committee which discussed issues affecting the development of MSMEs in Hong Kong. ITC also administered TVP to subsidize local enterprises, including MSMEs in using technological services and solutions to improve productivity, or upgrade or transform their business processes.

53. In response to the Chairman's enquiry, DGTI said that participation in APEC's work on digital economy was expected to be keen, as evident from the support shown to the APEC workshops related to digital economy held in Papua New Guinea in 2018.

*Initiatives under the World Trade Organization Agreement on Trade Facilitation*

54. Mr MA Fung-kwok enquired about the challenges which the Administration foresaw in 2019 in its work at multilateral and regional trade fora, and the work on extending the Single E-lock Scheme ("SELS") to more customs clearance points in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area").

55. DGTI advised that one of the greatest challenges in 2019 in the international trade fora was the rise of protectionism. As a founding member of WTO, Hong Kong would continue to strive for the promotion of free trade and the reduction of trade barriers. In 2019, the Administration would continue to work with WTO Members to resolve the impasse associated with the dispute settlement mechanism which had been hindered by a Member's blockage of the appointments to the Appellate Body. The Administration would also actively participate in discussions which aimed to reform the multilateral trading system.

56. DGTI added that in 2019, the Administration would actively explore with the Mainland authorities the extension of SELS to more customs clearance points in the Greater Bay Area, so as to facilitate cross-boundary cargo flow and enhance clearance efficiency. Besides, the new Agreement on Trade in Goods signed in 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 included a dedicated Chapter on "Trade Facilitation Measures in the Guangdong-Hong Kong-Macao Greater Bay Area", under which the two sides agreed that the nine Pearl River Delta ("PRD") municipalities (namely Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing) and Hong Kong would take forward and explore a series of trade facilitation measures, including the measures to shorten overall customs clearance time for goods, and to expedite cross-boundary customs clearance in the nine PRD municipalities.

57. In response to the Deputy Chairman's enquiry, DGTI advised that no particular concerns about the different customs and clearance systems between Hong Kong and the Mainland had been raised by overseas economies on SELS since its launch in 2016, as the multiple flow control processes of SELS enabled separate monitoring by customs authorities to ensure seamless and secured monitoring when the transshipment cargo was conveyed across the boundary.

*International trade policies*

58. Noting the United States ("US")'s withdrawal from the Trans-Pacific Partnership in 2017 in pursuit of other bilateral or regional trade agreements, such as the United States-Mexico-Canada Agreement signed in November 2018, Mr CHAN Chun-ying enquired about the relevant impact on Hong Kong's international trade policies.

59. DGTI advised that despite the recent changes in the US trade policies which had created uncertainties in the global trade environment, the US was still a signatory to the WTO Agreement on Trade Facilitation, which reflected that all WTO Members, including the US, had attached great importance to trade facilitation. The Administration would continue to uphold the principle of free trade at the multilateral fora.

**V. Any other business**

60. There being no other business, the meeting ended at 4:21 pm.