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Legislative Council

LC Paper No. CB(1)1794/04-05
(These minutes have been seen by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 17 May 2005, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP (Chairman)
Hon WONG Ting-kwong, BBS (Deputy Chairman)
Dr Hon LUI Ming-wah, JP
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai, JP
Hon Vincent FANG Kang, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Ronny TONG Ka-wah, SC

Member absent : Hon CHIM Pui-chung

Public officers attending : Agenda Item IV

Mr Anthony WONG, JP
Commissioner for Innovation and Technology

Mr Brian LO
Assistant Commissioner for Innovation and Technology (Funding Schemes)

Mr YEUNG Tak-keung
Assistant Commissioner for Innovation and Technology (Policy and Development)

Agenda Item V

Mr Gordon LEUNG
Principal Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry)

Ms Karen LO
Chief Executive Officer
Commerce and Industry Branch
Commerce, Industry and Technology Bureau

Agenda Item VI

Mr M J T ROWSE, JP
Director-General of Investment Promotion

Miss Clara TANG
Principal Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry)

Ms Ophelia TSANG
Associate Director-General of Investment Promotion

Clerk in attendance : Miss Polly YEUNG
Chief Council Secretary (1)3

Staff in attendance : Ms Debbie YAU
Senior Council Secretary (1)1

Action

I Confirmation of minutes and matters arising

LC Paper No. CB(1)1499/04-05 -- Minutes of meeting held on 19 April 2005

The minutes of the meeting held on 19 April 2005 were confirmed.

II Paper issued since last meeting

2. Members noted that no information paper had been issued since the last meeting.

III Date and items for discussion for next meeting

LC Paper No. CB(1)1496/04-05(01)	--	List of outstanding items for discussion
LC Paper No. CB(1)1496/04-05(02)	--	List of follow-up actions

3. Members noted and agreed that the Panel would consider the "Reports by Heads of Hong Kong Economic and Trade Offices" at the next meeting to be held on 21 June 2005. Members also agreed that the meeting would start at 4:00 pm instead of 2:30 pm to tie in with the schedule of the Secretary for Commerce, Industry and Technology who had indicated that he would attend the meeting.

IV New Strategic Framework for Innovation and Technology Development

LC Paper No. CB(1)1496/04-05(03)	--	Information paper provided by the Administration
LC Paper No. CB(1)1497/04-05	--	Background Brief on new strategic framework for Innovation and Technology Development prepared by the Secretariat
LC Paper No. CB(1)863/04-05	--	Extract of minutes of meeting of the Panel on Commerce and Industry held on 18 January 2005 (paras. 13 – 31)
LC Paper No. CB(1)1558/04-05(01) (*tabled and subsequently issued on 18 May 2005)*	--	Power-point presentation material on "New Strategic Framework for Innovation and Technology Development" provided by the Administration

4. With the aid of power-point presentation, the Commissioner for Innovation and Technology (C for I&T) briefed members on the Administration's progress in setting up the proposed Research and Development centres (R&D centres), and the Administration's proposal to support two projects under the Innovation and Technology Fund (ITF) to pursue the focus themes of digital entertainment and mechanical watch movement. He outlined the background of the new funding model of the ITF, the institutional arrangements and operational model of R&D centres, the corporate governance and control mechanism for R&D centres, as well as the review and control mechanism for the two projects supported under the aforesaid focus themes. Members noted that the Administration planned to seek the approval of Finance Committee of its

proposals in June 2005.

5. Mr Jeffrey LAM declared that he was a member of the Vetting Committee of the ITF. He highlighted that in setting up the R&D centres, the Government had consulted the industries and related R&D institutions in assessing the R&D centre proposals and had taken into account relevant factors including the potential of the research direction and intended outcome to make a substantial contribution to local industrial and economic growth, as well as the commitment and contribution from industry partners etc. As a member of the industry, Mr LAM was in support of the proposed development of R&D centres. He considered that the success or otherwise of individual R&D centre would hinge on factors such as the partnership with other R&D institutions, the support and participation of the industry concerned, the institutional arrangements and corporate governance and control mechanism of the R&D centre.

Funding mechanism for R&D projects

6. Mr Andrew LEUNG declared that he was the Chairman of the Hong Kong Productivity Council which had proposed to host the R&D centre for the focus area of Automotive Parts and Accessory Systems. Mr LEUNG enquired about the new funding mechanism and ways to ensure that the R&D projects could meet the needs of the industries concerned.

7. In response, C for I&T compared the funding mechanism of the ITF in the past years with that under the proposed new strategic framework for innovation and technology development. He said that in response to the annual call for project proposals under the ITF, university professors used to apply for funding to undertake R&D projects costing about a few millions and engaged a team of research staff for about two to three years to conduct the necessary R&D work. Owing to the lack of continuity beyond the project period, it might be difficult to commercialize the R&D results for adoption by the industries concerned. Moreover, there were some overlapping R&D efforts in the past due to inadequate coordination among research teams engaged in R&D projects of a similar nature. Under the proposed model of R&D centres, all experts in the same subject area from universities, R&D institutions and participating companies would be involved in the operation of the R&D centre concerned for as long as a period of five years during which the industry could make use of the R&D results for further application or commercialization. Unlike in the past when industry partners merely sponsored a certain percentage of the R&D costs, industry partners under the new model could share the intellectual property (IP) rights benefits in direct proportion to project contribution, provided that the project contribution exceeded the agreed threshold.

8. Mr Andrew LEUNG stressed the importance of ensuring that the R&D results could be adopted or commercialized by the industries concerned. The Chairman shared his view and pointed out that to ensure the cost-effectiveness of the R&D centres, staff of R&D centres undertaking research projects should possess good understanding of the business operation of the industries concerned.

In response, C for I&T remarked that the involvement of the participating companies from the initial stage of the R&D projects would help expedite the process of commercializing the R&D results since no time would need to be wasted in the planning and testing on the bulk development of the commercialized R&D deliverables.

9. Mr CHAN Kam-lam enquired about industry participation and the funding arrangement for R&D projects. In reply, C for I&T highlighted that the main objective of the R&D centre was to conduct industry-oriented R&D and each R&D centre was required to solicit industry participation and contribution to the R&D projects undertaken by the centre. He further advised that while ITF would provide funding for the operation of the R&D centres for five years, the centres would need to look for industry contributions to cover part of the funding required for projects to be conducted in the centres. For example, for contract research type of projects, the requesting company would be required to fund 100% of the costs involved. However, as the technology under platform type projects would be adopted by a wide base of companies, a full project would be allowed to proceed if a contribution of not less than 10% of the project costs could be obtained from the industry.

10. Mr CHAN Kam-lam further enquired about the funding arrangement for technology focus areas other than the nine areas for which R&D centres would be set up. In reply, C for I&T referred to the new three-tier funding model of the ITF. In addition to providing comprehensive and continuous support to R&D centres under tier one, funding of ITF would be deployed under tier two to support other identified focus areas. For example, in 2005, the ITF Assessment Panel had considered the proposals under the two focus themes of digital entertainment and mechanical watch movements and made recommendations accordingly. To encourage innovation and to ensure maximum flexibility, there would be no pre-determined themes under tier three and applications for funding support would be invited once a year. C for I&T stressed that under the three-tier approach, the funded projects would be better able to address the relevant needs of the industries.

11. On the technology focus areas for which R&D centres would be set up, Mr Vincent FANG was worried that R&D efforts for some of the identified areas, such as automotive parts and accessory systems and opto-electronics, in which Hong Kong did not have a competitive edge might not yield R&D results which could attain international standards.

12. In response, C for I&T assured members that in line with the market-driven and demand-led approach of the new strategy, the Administration had consulted the industries extensively and adopted carefully planned criteria in selecting the nine technology focus areas for priority development. On the focus area of automotive parts and accessory systems, C for I&T highlighted that the industries concerned were of the view that the rapid growth of the Mainland automotive industry had presented enormous opportunities for Hong Kong. Given the strong base of foundation industries such as metal ware and plastics,

local manufacturers could provide the necessary technologies and product components to meet the needs of the Mainland automotive industry.

Monitoring R&D projects

13. Mr Jeffrey LAM noted from the R&D centre proposals submitted by each tertiary institutions that the total funding requested from the ITF to meet the five-year operating cost and the R&D project expenditure amounted to some $300 million. He was concerned about the measures to be taken by the Government in monitoring the use of funds. Mr CHAN Kam-lam also enquired about the role of the Innovation and Technology Commission (ITC) in monitoring the progress of R&D projects.

14. In response, C for I&T highlighted that the Administration attached a lot of importance to the corporate governance and control mechanism of each R&D centre. It would monitor all the R&D centres closely to ensure the cost-effective use of public money. For the funding of individual R&D projects, the R&D centre would need to submit each and every project which required funding support from the ITF to the Administration for approval. The Administration would take into account the recommendation of the Technology Committee of the R&D centre and the amount of contribution from the industry to the project in considering whether to approve a project. Once an R&D project was approved, each R&D centre would be required to submit half-yearly progress reports to the Administration for each R&D project supported by ITF funding. ITF grants would be disbursed by instalments which would be contingent upon the Administration's acceptance of the progress report endorsed by the Steering Committee of the R&D centre.

15. Noting the Administration's explanation, Mr Jeffrey LAM remarked that the capability of the staff in managing the use of funds in ITF was also crucial to the cost-effective utilization of ITF. Echoing Mr LAM's view, the Chairman pointed out that the input of members in the Steering Committee and Technology Committee also counted towards the performance of R&D projects. In this regard, C for I&T confirmed that the composition and appointment of both committees would need to be accepted by the Administration in order to ensure that there would be independent oversight of the Centre.

16. The Deputy Chairman was concerned about the follow-up action, including the sharing of IP rights, to be taken by the Administration in case a participating company ceased to sponsor, contribute or invest in a project as previously agreed while the R&D project was still underway.

17. In response, C for I&T pointed out that since the new innovation and technology strategy had been designed to meet the current and future expected demands of the industry in Hong Kong and the Pan Pearl River Delta, it was expected that the industry would give substantial commitment and support to the projects to be conducted by the R&D centres. In case a participating company had to withdraw from its previous commitment due to unexpected circumstances,

the R&D Centre would need to solicit support from other industry partners. On the arrangement of sharing IP benefits, C for I&T advised that the R&D centre concerned would act in accordance with the contract terms of participation it had entered with the participating company in question. C for I&T further said that the Administration had the right to terminate the funding for the project at any time if the project lacked on-going industry support or progress in a material way, or there was evidence that the chance of completing the project in accordance with the approved project proposal was low. In reply to Mr Vincent FANG's enquiry on the timing for making a decision to terminate funding, C for I&T explained that the progress of each R&D project would be measured against the pre-set milestones stated in the project proposal. The Administration might terminate the funding of a project if it failed to meet any of the pre-set milestones in a timely manner.

18. Mr Vincent FANG was worried that some participating companies might make use of the R&D centres with which they had partnered as their own R&D departments. He sought information on the measures taken by the Administration to prevent the services of an R&D centre being monopolized by a particular company.

19. In response, C for I&T highlighted the checks and balances in place. He said that all R&D centres were required to conduct regular annual reviews, submit annual reports, quarterly financial statement, annual and final audited accounts etc. The information would also be uploaded to the centres' websites to ensure transparency and public accountability. While it might be possible for the R&D centres to provide R&D support to some small and medium enterprises which lacked the resources to engage their own R&D teams, C for I&T pointed out that no participating company could gain access to information on project results and research outputs of the R&D centres or take part in their R&D projects without making sponsorship, contribution or investment.

Intellectual property rights

20. Mr Ronny TONG enquired about the ownership of IP rights generated from the R&D projects. He considered that exclusive licensing of project IP should be avoided so that more industry players could benefit by applying the R&D results to their own needs.

21. In reply, C for I&T advised that except for contract research where participating companies would own all the IPs by paying the full cost of the research, IPs generated from the R&D projects undertaken by an R&D centre would normally be owned by the centre. Depending on the terms of participation, the industry partners participating in the R&D centres could have non-exclusive rights to license project IP and utilizing research output for commercial exploitation on reasonable terms to be agreed by project participants and/or shared IP benefits in direct proportion to project contribution provided that the project contribution exceeded the threshold. C for I&T further said that exclusive licensing was generally not encouraged for platform-type R&D

projects unless certain specific terms and conditions were met (as stated in paragraph 13 of the Administration's information paper (CB(1)1496/04-05(03)).

R&D proposal of Hong Kong Applied Science and Technology Research Institute (ASTRI)

22. Mr SIN Chung-kai observed that the R&D centre proposed by ASTRI covered four R&D programmes and among them, "information and communications technologies" included projects in four key focus areas of advanced personal and home networking technologies; broadband wireless access mobile platforms; cellular communications solutions and applications; and digital television broadcast technologies and applications. He further noted that the five-year operating cost of ASTRI's proposed R&D centre was $292.9 million which was very high as compared to some $60 million for each of other four R&D centre proposals. Mr SIN was worried that although the total amount to be funded from ITF for the whole R&D centre was $1,700 million, a sizable portion would be spent on operating cost. As such, there might not be sufficient resources to cater for the substantial growth of the four R&D programmes under "information and communications technologies" in the next five years. The Chairman concurred with Mr SIN on the fast pace of technological changes and urged the Administration to take this into consideration in planning for the proposed R&D centres.

23. In response, C for I&T stressed that the ITC had been administering the ITF in a very prudent manner. Instead of exhausting the $5 billion fund in five years' time since its inception in 1999, a balance of $4 billion was carried forward into the sixth year. He assured members that ITC would continue to manage the ITF with vigilance.

24. On Mr SIN Chung-kai's concern about the operating cost of the ASTRI's proposed R&D centre, the Assistant Commissioner for Innovation and Technology (Funding Schemes) (AC for I&T (FS)) pointed out that for all proposed R&D centres, the operating cost constituted not more than 20% of the total expenditure for each individual centre. Moreover, the total expenditure for the ASTRI's R&D projects covering the four R&D programmes was about $1,799.3 million, which was the highest among the five R&D centre proposals. AC for I&T(FS) elaborated that ASTRI would establish a single R&D centre for ICT covering the four R&D programmes. However, unlike other proposed R&D centres which would be hosted by local tertiary educational institutions and hence, would have access to the basic infrastructural support, the proposed R&D centre to set up by ASTRI would have to establish its own facilities for each of the four R&D programme areas under ICT and would thus incur higher operating cost.

25. Mr SIN Chung-kai did not fully subscribe to the Administration's explanation. Recalling that financial provision had been earmarked for ASTRI to lease space in the Hong Kong Science Park (HKSP) so that ASTRI could exploit the uniquely designed infrastructure of HKSP, Mr SIN questioned

whether the same expenditure item had been double-counted.

26. In response, C for I&T clarified that ASTRI itself was an applied research institution which provided support to various industries. ASTRI would lease public facilities available at HKSP when necessary. He further confirmed that the proposed R&D centre for ICT hosted by ASTRI would operate its own facilities and laboratories.

27. Noting that the operating cost of ASTRI's proposed R&D centre escalated yearly from $38.6 million in 2005-06 to $84.9 million in 2009-10, Mr SIN Chung-kai requested the Administration to provide a detailed breakdown on the Admin five-year centre operating cost of ASTRI in its funding proposal to be submitted to the Finance Committee.

The way forward

28. In reply to the Deputy Chairman's further enquiry on the implementation timetable, C for I&T said that subject to members' comment, the Administration would seek the approval of the Finance Committee for the proposals in June 2005 and proceed to set up the R&D centres from July 2005 onwards in order that the R&D centres could commence operation by end-2005. C for I&T Admin undertook to report on the operation and performance of the R&D centres to the Panel annually.

V Review of the effectiveness of the Professional Services Development Assistance Scheme (PSDAS)

LC Paper No. CB(1)1496/04-05(04) -- Information paper provided by the Administration

29. At the invitation of the Chairman, the Principal Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry) (PASCIT(CI)) briefed members on the findings of a review on the effectiveness of the Professional Services Development Assistance Scheme (PSDAS).

Effectiveness of the scheme

30. Mr Ronny TONG enquired whether feedback on the completed PSDAS projects had been obtained from participants of the activities held as well as the clients of the professional services concerned. In response, PASCIT(CI) referred to paragraph 14 of the Administration's paper (CB(1)1496/04-05(04)) in which it was reported that surveys had been conducted on the participants of PSDAS projects, and a great majority of the respondents were satisfied or very satisfied with the projects or deliverables. To enhance external competitiveness, some local professional bodies had organized capacity-building programmes such as inviting overseas experts to introduce the latest developments, such as new technology or know-how, in the relevant professions. To achieve a multiplier effect, the contents of these activities were reproduced in compact

discs for use among the local professional community. However, PASCIT(CI) pointed out that while the professional services sectors considered the knowledge very useful in enhancing their external competitiveness, they might not be able to apply a new technology to local use immediately. As such, obtaining feedbacks from the clients of the concerned professionals might not be an appropriate way of gauging the effectiveness of the PSDAS projects because the service clients had not yet benefited from the local professionals' new technology or know-how. In addition, there were also practical difficulties in obtaining feedbacks from the professional service clients in a scientific manner and strictly in accordance with survey methodology.

Application procedures

31. Mr SIN Chung-kai expressed his support for PSDAS. Noting that since August 2003, the invitation for applications had been increased from two to three rounds a year and urgent applications (if justified) would be accepted any time, he suggested that to facilitate application by professional bodies, consideration should be given to accepting funding applications throughout the year. Mr SIN enquired about the practical difficulties, if any, of accepting four to six rounds of applications each year.

32. In response, PASCIT(CI) pointed out that the professional services sectors considered the existing practice of calling for three rounds of applications a year and accepting urgent funding applications with sufficient justification appropriate. Indeed, experience had shown that the lead time taken by the professional bodies to decide to take forward a project and apply for assistance under PSDAS had tied in quite well with the application cycle. PASCIT(CI) further advised that to enhance cost-effectiveness, the number of calls for applications was limited so that the Vetting Committee could convene meetings to consider the applications, and the Administration had tried to avoid approval by circulation. Nevertheless, the Administration would monitor the situation
Admin and review the number of calls for applications each year if necessary. In this regard, the Chairman agreed that applications for assistance under PSDAS should not be vetted and approved by the Vetting Committee through circulation.

33. Mr Jeffrey LAM noted that each applicant, including individual universities, could submit no more than two applications in each round. Since research institutes from different faculties/departments of the same university did not have an independent legal person status, they were all counted under the same legal person of their respective universities. Mr LAM considered the current restriction inappropriate and suggested that it should be lifted. In his view, the Vetting Committee was in a position to consider all applications and strike a balance when giving its approval.

34. In response, PASCIT(CI) said that the limit on the number of applications was to ensure that more eligible professional bodies could benefit from PSDAS, and that the Administration would monitor the situation and consider relaxing the restriction if necessary. In reply to the Chairman's enquiry, PASCIT(CI) advised

that as at 30 April 2005, among the 240 applications received under PSDAS, 124 of them had been rejected because of different reasons, such as the beneficiaries falling out of the ambit of the Scheme, the proposed activities being considered to be not cost-effective, etc.

Conclusion

35. The Chairman considered that PSDAS, which aimed at enhancing the professional standards and external competitiveness of the professional services sectors and operated on a dollar-for-dollar matching basis, a useful scheme, and invited the Administration to consider members' suggestions with a view to further improving the implementation of the Scheme and gauging the cost-effectiveness of the Scheme. She requested the Administration to revert to the Panel in the next legislative session on members' proposals. In addition, while agreeing that applications under PSDAS should be prudently assessed, the Chairman urged that consideration should be given to supporting worthwhile projects having regard that currently, the Scheme had a balance of some $50 million, and asked that more details about the reasons why some applications had been rejected be provided after the meeting.

Admin

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VI Briefing on the work of Invest Hong Kong

LC Paper No. CB(1)1496/04-05(05)	--	Information paper provided by the Administration
LC Paper No. CB(1)1498/04-05	--	Background brief on work of Invest Hong Kong prepared by the Secretariat

36. At the invitation of the Chairman, the Director-General of Investment Promotion (DGIP) updated members on the work of Invest Hong Kong (InvestHK) in 2004 and introduced the developments planned for 2005. DGIP remarked that InvestHK had made good progress in 2005. He anticipated that InvestHK would be able to achieve its target of completing at least 220 investment projects in 2005, which represented a 10% increase over the target for 2004. He further highlighted the growing significance of the Mainland companies as an important target for investment promotion work and reported that of the 205 completed projects in 2004, 35 were Mainland enterprises, representing a sharp increase over 2003.

Promotion activities in the Mainland

37. Noting that in 2004, InvestHK had organized a series of 23 investment promotion seminars in 13 major cities in the Mainland and received more than 20 incoming delegations from the Mainland, Mr Jeffrey LAM enquired whether investment promotion ambassadors (IPAs) had been appointed for the Mainland market.

38. In response, DGIP advised that since the launch of the IPA scheme in April 2003, InvestHK had been actively identifying suitable business leaders to serve as IPAs. So far, a total of 61 IPAs had been appointed and among them, eight IPAs were from major Mainland companies. InvestHK would capitalize on the prominence of these eight Mainland IPAs in the business community to line up public relations and promotional activities in the Mainland.

39. The Deputy Chairman enquired about the work of InvestHK in promoting the business opportunities brought about by the Mainland Hong Kong Closer Economic Partnership, such as its liaison work with the relevant Mainland authorities.

40. In response, DGIP remarked that as a result of the trade and investment facilitation policy launched by the Ministry of Commerce (MOC) in August 2004 which had encouraged more Mainland enterprises to invest in Hong Kong, InvestHK had reorganized its structure since 2005. Under the new organization structure, there were four investment promotion teams dedicated to assisting investors from the Mainland, plus one team to coordinate related activities. These dedicated teams would conduct more frequent investment promotion visits to Mainland enterprises, organize more seminars and other promotion activities in the Mainland, as well as organize more incoming missions to Hong Kong in coordination with the MOC, various local government departments and bodies from the Mainland. InvestHK would also build stronger rapport with the Mainland authorities, including the MOC, the State Administration of Foreign Exchange, the China Securities Regulatory Commission and the Hong Kong and Macao Affairs Office.

Working relationship between InvestHK and other agencies

41. Mr Jeffrey LAM sought further information on the investment promotion activities conducted in overseas markets, in particular those launched jointly with Hong Kong Trade Development Council (HKTDC) and Hong Kong Tourism Board (HKTB).

42. In response, DGIP highlighted that the mission of InvestHK was to attract foreign direct investment while the main function of HKTDC was to promote, assist and develop Hong Kong's trade in goods and services with places outside Hong Kong, with particular reference to exports. All along, InvestHK had been working closely with the external offices of the HKTDC, as well as its headquarters in Hong Kong. Both agencies had been conducting intensive external promotional activities to deliver their respective messages to the foreign and Mainland business communities and both of them had engaged the same consultancy firm as their external representative in some overseas markets such as Korea. To maintain coordination of activities, InvestHK and HKTDC met on a regular basis to exchange plans and initiatives and to discuss ways of cooperation. DGIP said that this mechanism had proved to be an effective platform whereby duplication of work could be avoided, and synergy and

economy of scale achieved.

43. In this connection, the Chairman considered that InvestHK should devise a formula or suitable indicators to quantify the effectiveness of its work. For instance, investors could be invited to indicate the factors they had considered in making their investment decisions and this could identify how far their investment decisions could be attributed to the work of InvestHK. In view that InvestHK, HKTDC and the Hong Kong Economic and Trade Offices (HKETOs) were working to promote Hong Kong to overseas investors, the formula or indicators, if proved to be useful, could also be applied to assess the effectiveness of the other agencies, in particular when the Administration was considering the level of resources to be allocated to them.

44. On performance indicators, DGIP advised that in addition to quantifying the results of the work of InvestHK in terms of number of investment projects completed, the number of jobs created and the amount of investment involved, InvestHK was in the course of studying how best to deploy its own resources among different promotion platforms such as website information, seminars/conferences or individual company visits etc so as to achieve the best result. DGIP stressed that in the course of its investment promotion work, InvestHK needed to approach individual companies and provide tailor-made advice to address their various needs arising from setting up businesses in Hong Kong. In this regard, the Chairman said that in assessing the effectiveness of the work of InvestHK, consideration should also be given to the level of domestic revenue generated by the new companies set up through the assistance of InvestHK within, say, the first three to five years.

45. Mr SIN Chung-kai was concerned about the possible duplication of work among InvestHK, HKTDC and HKTB and considered that the three bodies should be brought under one roof and operate as a streamlined entity.

46. Highlighting that InvestHK, with an annual provision of some $100 million, had brought in several billions of foreign investment a year, DGIP said that the work of InvestHK was different from that of HKTDC and HKTB. He reiterated that the mission of InvestHK was wider than the general promotion of Hong Kong and its scope of work included direct and face-to-face advice and assistance to overseas investors. In this connection, the Principal Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry) (PASCIT(CI)) supplemented that HKETOs were tasked to promote Hong Kong's image and investment environment abroad and to overseas investors, and handle bilateral trade relations. As far as investment promotion was concerned, HKETOs worked closely with InvestHK. As regards the promotion of tourism, HKETOs had close co-operation with HKTB. PASCIT(CI) added that the existing mode of collaboration among HKETOs, InvestHK, HKTDC and HKTB worked well and they would continue to work closely in promoting various aspects of Hong Kong overseas.

Promoting the establishment of investment funds in Hong Kong

47. Mr Ronny TONG observed that Singapore had appointed a special commissioner to encourage overseas fund managers to launch investment funds in Singapore and had set up a one-stop service to assist the fund managers without having to go through red tape. Considering that Singapore was fast catching up with Hong Kong in the development of investment funds, Mr TONG was concerned about the measures to be taken by InvestHK to attract fund managers to come to Hong Kong and to retain those who were currently operating funds in Hong Kong.

48. In response, DGIP said that as far as he understood, the Singapore government had put in considerable resources to promote foreign investment and unlike Hong Kong, had offered tax and other incentives to foreign investors. He advised that InvestHK had strengthened aftercare services to companies set up in Hong Kong through its assistance with a view to retaining their investment and encouraging them to expand further in Hong Kong. InvestHK would keep track of the latest development of these companies after an interval of three years, and regularly thereafter, in terms of both capital investment and job creation, and understand their plans for further expansion, if any. Moreover, InvestHK also carried out a number of investment promotion activities worldwide in accordance with the business plans for the nine priority sectors, including financial services. InvestHK had also undertaken an in-country sector analysis to identify potential high-growth sectors in specific countries, and a global sector benchmarking study to assess Hong Kong's capabilities vis-à-vis external markets with regard to certain specific business areas. Insofar as operating one-stop services was concerned, DGIP referred to the completed investment projects by industry and pointed out that of the 205 completed projects in 2004, 23 of them were related to the financial services sector. He informed members that once a potential project was initiated, the relevant sector team in InvestHK would assist the company concerned by providing general as well as sector-specific advice and assistance.

49. In reply to Mr Ronny TONG, DGIP confirmed that InvestHK was keen for more off-shore investment funds to be established in Hong Kong. He agreed to relay Mr Ronny TONG's concern to the Financial Services and the Treasury Bureau (FSTB). DGIP also undertook to clarify with FSTB on progress of efforts to promote the establishment of more off-shore investment funds in Hong Kong and advise the Panel as appropriate.

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VII Any other business

50. There being no other business, the meeting ended at 4:25 pm.

Council Business Division 1
Legislative Council Secretariat
17 June 2005