

立法會
Legislative Council

LC Paper No. CB(1)1017/10-11
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 16 November 2010, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Fred LI Wah-ming, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
- Members absent** : Hon Timothy FOK Tsun-ting, GBS, JP
Hon Paul CHAN Mo-po, MH, JP
Hon Albert CHAN Wai-yip
- Public officers attending** : Agenda item IV
Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Andrew LAI, JP
Deputy Commissioner for Innovation and
Technology

Mr Martin SIU
Assistant Director of Accounting Services

Agenda item V

Mrs Rita LAU, JP
Secretary for Commerce and Economic
Development

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Andrew LAI, JP
Deputy Commissioner for Innovation and
Technology

Agenda item VI

Mrs Rita LAU, JP
Secretary for Commerce and Economic
Development

Miss Yvonne CHOI, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr James CHAN Yum-min
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)⁵

Ms Maria KWAN Sik-ning, JP
Director-General of Trade and Industry

Miss Belinda KWAN
Assistant Director-General of Trade and Industry
(Industries Support)

Attendance by invitation

: Agenda Item IV

Hong Kong Research Institute of Textiles and Apparel

Mr Haider BARMA, GBS, CBE, JP
Chief Executive Officer

Hong Kong Applied Science and Technology Research Institute

Dr Nim CHEUNG
Chief Executive Officer

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

Prof C J TAN
Chief Executive Officer

Nano and Advanced Materials Institute

Prof NG Ka-ming
Chief Executive Officer

Hong Kong Automotive Parts and Accessory Systems R&D Centre

Dr YANG Ying
Chief Executive Officer

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)6

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)204/10-11 -- Minutes of meeting held on 14 October 2010)

The minutes of the meeting held on 14 October 2010 were confirmed.

II. Information paper issued since last meeting

2. Members noted that no paper had been issued since the last meeting held on 19 October 2010.

III. Information paper issued since last meeting

(LC Paper No. CB(1)389/10-11(01) -- List of outstanding items for discussion

LC Paper No. CB(1)389/10-11(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 21 December 2010 at 2:30 pm to discuss the following items:

(a) Development of the exhibition industry in Hong Kong; and

(b) Adjustments to the Hong Kong Textiles Control Arrangements.

IV. Progress report on the comprehensive review of the Research and Development Centres

(LC Paper No. CB(1)389/10-11(03) -- Administration's paper on review of operating costs of the Research and Development Centres

LC Paper No. CB(1)389/10-11(04) -- Paper on Research and Development Centres under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)473/10-11 Administration's paper on the InnoCarnival 2010 (tabled at the meeting and

subsequently issued to members on 17 November 2010))

Presentation by the Administration

4. At the Chairman's invitation, Commissioner for Innovation and Technology (CIT) briefed members on the review of operating costs of the Research and Development (R&D) Centres under the Innovation and Technology Fund (ITF), as set out in the Administration's paper (LC Paper No. CB(1)389/10-11(03)). Members were also briefed on the salient features of individual R&D Centres by their respective Chief Executive Officers, as set out in Annex B to the Administration's paper.

Discussion

Industry contribution

5. Mr Jeffrey LAM noted that amongst the five R&D Centres under review, only Hong Kong Applied Science and Technology Research Institute (ASTRI) and Nano and Advanced Materials Institute (NAMI) were able to meet the targeted level of industry contribution of 15%. He opined that the Administration should step up effort to enhance the level of industry contribution to the projects run by the Centres.

6. CIT responded that the Administration attached great importance to raising the level of industry contribution in R&D projects because the higher degree of contribution, the stronger industry interest in the project concerned, and hence the greater chance of success of commercialization. Deputy Commissioner for Innovation and Technology (DCIT) supplemented that amongst the Centres, NAMI and ASTRI had a higher number of collaborative projects (12 and 8 respectively) which required industry contribution of at least 30% of the project cost. In fact, NAMI had been building a cluster in photovoltaic technologies, whereas ASTRI had made good progress in light-emitting diode (LED) lighting projects. Through these R&D projects, overseas companies were attracted to set up their bases in Hong Kong. For example, ASTRI had signed a US\$2 million contract on anti-shaking technologies for digital cameras with a company in the United States which had recently set up its operation in the Hong Kong Science Park.

7. Dr Samson TAM considered the current level of industry contribution of at least 10% for platform projects reasonable, given that the industry sponsors would not own the intellectual property of the projects. He was keen to ensure that more contract research projects could be undertaken in

future as these were good indicators of the strength of the R&D Centres. He also enquired how ASTRI would make use of the spin-off model to further its objectives.

8. CIT responded that the Administration had endeavored to raise the level of industry contribution in R&D projects and was making good progress. As a first step towards attracting more industry contributions, the Administration would encourage the wider use of the R&D deliverables in the public sector, such as the use of LED lighting in public housing estates of the Housing Authority and the use of radio frequency identification technology in the medical sector. The realization of R&D deliverables in the public sector should help enhance the prospect of commercialization of the R&D results in the private sector. On the spin-off model, CIT explained that this was a common practice in other countries. ASTRI also had experience in transferring its R&D results to the industry through spin-off which could involve buying out the technology developed by ASTRI and with/without the ASTRI research team. ASTRI would consider how best this model could be adopted under its projects taking into account past experience and the current circumstances. Given that ASTRI projects were often undertaken with public funding support, it was unlikely that all projects would adopt the spin-off model. For projects like those undertaken to support the public sector (e.g. law enforcement agencies), there might also be little commercial interest and the spin-off model would not be applicable. She envisaged that ASTRI would adopt a balanced approach. On the issue of IP, ITC would conduct a review in 2011 to address all related issues such as IP rights and benefit-sharing arrangements in commercialization.

9. Chief Executive Officer, Hong Kong Applied Science and Technology Research Institute added that the spin-off model in ASTRI might take many forms. ASTRI encouraged the development of spin-off environment such as the setting up of companies at the Hong Kong Science Park by ASTRI's partners in collaborative projects to take forward the technologies developed, the signing of exclusive licensing agreements, and financing from third party investors, including venture capitalists (VCs). The ASTRI Board of Directors was also interested in exploring the option of direct spin-off through divesting of certain projects.

10. In response to Dr Samson TAM's request, CIT advised that the Administration would provide a more detailed breakdown of the industry contribution of the various Centres by project nature (i.e. platform, collaborative and contract research projects), as set out in table 6 of LC Paper No. CB(1)389/10-11(03).

Commercialization

11. Mr Vincent FANG opined that R&D was vital to the overall economic development of Hong Kong. He noted the lack of interest from the private sector in collaborative projects, and the declining trend in the level of industry contribution, especially in Hong Kong Automotive Parts and Accessory Systems R&D Centre (APAS) and Hong Kong Research Institute of Textiles and Apparel (HKRITA). Noting that the projects of some of the Centres, such as NAMI and ASTRI, were more popular than others, he opined that resources should be focused on these Centres to speed up commercialization. Sharing a similar concern, Mr Jeffrey LAM noted that R&D effort would be wasted if the results could not be commercialized. He opined that the Administration should identify the most popular R&D projects in each of the Centres with a view to speeding up their commercialization process.

12. CIT agreed that technology developments of some of the R&D Centres, such as HKRITA, had become matured and despite the hard work of colleagues, might be difficult to attract substantial industry contributions easily, whereas the core business of other Centres, such as NAMI and ASTRI, was becoming more and more popular nowadays. This was partly due to the fact that the technologies under research at NAMI and ASTRI were applicable to a wider range of sectors. With the completion of the comprehensive review in about one year's time, the Administration would be in a better position to determine the technology areas where resources should be focused.

13. CIT added that it was opportune for the Administration to refine its policy framework for promoting innovation and technology development. In the comprehensive review on the overall performance of the Centres, the Administration would explore the possibility of shortening the processing time of applications for funding under the ITF framework, as well as facilitating the trial of R&D products in the public sector, so that researchers and product developers could gain more solid experience to fine-tune their products and increase the chances of commercialization.

Innovation and technology culture

14. Noting that the findings of the current review had not been very encouraging, Ms Emily LAU expressed concern about the way forward for the R&D Centres, and the dwindling number of young talents joining the R&D industry. She quoted Professor Vivian YAM of the University of Hong Kong, who recently won the L'Oreal-Unesco Women in Science award, as saying that doing scientific research in Hong Kong was a lonely business.

Ms LAU hoped that the Administration would nurture a more supportive atmosphere for scientific research in Hong Kong, encourage private participation and help the R&D Centres tap the business opportunities in the Mainland.

15. In response, CIT agreed that although Hong Kong had a good supply of quality science and engineering graduates, not many of the young talents chose to pursue a career in the R&D sector due to the constraint of job opportunities. There was a need to foster a stronger culture that placed more importance in innovation and technology. In this connection, the InnoCarnival 2010, which formed an integral part of the InnoTech Month 2010, was recently held at the Hong Kong Science Park to promote an innovation and technology culture amongst the community. Throughout the 9-day period, some 104,000 visitors attended the event, which was 46% over the last year's figure. Looking ahead, a scholarship programme would be organized in the coming year in collaboration with the private sector to stimulate the interest of the young people in R&D. In this regard, she called for members' support for the proposal to promote "Innovation and Technology in Public Sector" under ITF which aimed at fostering an innovation and technology culture in the public sector.

16. On private sector participation, CIT advised that one major contributing factor to the success of R&D from overseas experience was the availability and contribution of private capital, in particular from VCs, to support projects with good realization/commercialization potential. However, such a culture had yet to gain roots in Hong Kong. The Administration observed that VCs tended to be more interested in projects in the Mainland or other economies in the region. Therefore, apart from encouraging contribution to R&D projects from the local industry, the Administration was aiming to explore other sources, including VCs. On a strategic level, Hong Kong's R&D development would be geared toward complementing the implementation of the National 12th Five-Year Plan.

17. DCIT added that to promote the innovation and technology culture, the R&D Cash Rebate Scheme was launched in April 2010 to reinforce the research culture amongst business enterprises and encourage them to establish stronger partnership with designated local public research institutions. Under the Scheme, enterprises conducting applied R&D projects with the support of the ITF, or in partnership with local designated research institutions, would enjoy a cash rebate equivalent to 10% of their investments.

Operating cost

18. Noting that the expenditure on administrative support in 2009-2010 in three of the R&D Centres, namely HKRITA, ASTRI and Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies, was over 30%, Mr Jeffrey LAM enquired about the possibility of reducing the operating costs of the R&D Centres through the provision of central supporting services.

19. CIT responded that the Administration had concluded in the current review that there should be some form of central support to the R&D Centres, for example, in the provision of basic information for annual salary adjustment. Moreover, the option of co-location of the Centres to lower operating cost should be considered and this would also facilitate synergy through more frequent contacts and discussions between the Centres. A decision on the way forward as to whether the Centres would merge, disband or maintain the status quo would be made upon completion of the comprehensive review by early 2012.

Summing up

20. The Chairman said that the Panel noted the findings and observations on the current review of the operating costs of the R&D Centres, and looked forward to the early completion of the comprehensive review.

V. Creation of a favourable ecological environment to facilitate the realization of research and development results

(LC Paper No. CB(1)389/10-11(05) -- Administration's paper on creation of a favourable ecological environment to facilitate the realization of research and development results

LC Paper No. CB(1)389/10-11(04) -- Paper on Research and Development Centres under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

21. At the Chairman's invitation, Secretary for Commerce and Economic Development (SCED) and Commissioner for Innovation and Technology (CIT) briefed members on the proposed strategy to provide a more conducive ecological environment to facilitate the realization of research and development results, and proposed improvements to the scope and processing mechanism of the Innovation and Technology Fund (ITF). Details of the proposals were set out in the Administration's paper (LC Paper No. CB(1)389/10-11(05)).

Discussion

ITF process

22. Dr Samson TAM expressed support for the proposal to refine the policy framework of the ITF. He welcomed the Administration's plan to speed up the ITF funding process which had been a major obstacle to industry participation in R&D projects. In this connection, he enquired about the time currently taken for the processing of collaborative projects, and the target processing time for such projects in future. He welcomed the establishment of a dedicated task force to study the intellectual property (IP) rights and benefits sharing arrangements, and hoped that it would proceed with its work as soon as possible.

23. CIT responded that IP rights and benefits sharing arrangements were complicated issues. The lengthy discussions on these issues had caused delay in the processing of ITF applications. The Administration aimed at establishing a fair and transparent model for distributing the commercial benefits amongst all parties concerned. In this regard, the dedicated task force, chaired by Mr Andrew LIAO Cheung-sing, would hold its first meeting in mid-December 2010. She added that the processing time currently required for projects could take up to nine months. The Administration was looking at ways to streamline the process and shorten the processing time so that R&D deliverables with good potentials could be launched in the market as soon as possible.

24. Noting news report that the Partner State Key Laboratory (SKL) of Agrobiotechnology at the Chinese University of Hong Kong, which was carrying out a joint research on the genes of soya beans with Shenzhen, was facing a lack of funding, Mrs Regina IP expressed concern about the sustainability of the SKLs in Hong Kong.

25. SCED responded that the Administration would provide full support

to the existing 12 Partner SKLs in Hong Kong. In this regard, the Administration had recently announced a new initiative to provide financial assistance to Partner SKLs, with a view to enhancing their research capability and providing a sustained Government funding to support their R&D work.

Innovation and technology culture

26. In response to Mr Jeffrey LAM's enquiry about enhancing the chance of commercialization of R&D deliverables of the Centres, SCED advised that because of the inherent risky and uncertain nature of R&D, there was no guarantee that the amount of effort and resources put in R&D would commensurate with the outcome. Nevertheless, the Administration would try every opportunity to realize the R&D deliverables. In this connection, the Administration would liaise with the Research Grants Council (RGC) Secretariat so that high potential RGC-funded projects, which started with upstream/foundation research but had eventually migrated to applied research, could be considered for funding support under ITF. On the other hand, R&D Centres were also encouraged to reach out to the industry by promoting their R&D deliverables to them. Apart from setting up the R&D Cash Rebate Scheme to reinforce the research culture amongst business enterprises, the Administration also organized the InnoTech Month 2010 to promote an innovation and technology culture amongst the community and develop a platform for innovation and technology exchange amongst the industry.

27. CIT supplemented that the role of the Innovation and Technology Commission should evolve to become a more proactive agency by acting as an intermediary, fostering close collaboration amongst the key stakeholders, namely the Government, industry, universities and R&D Centres.

28. Noting that the culture of investment by VCs had yet to gain roots in Hong Kong, Ms Emily LAU enquired about the measures to attract private investment in R&D projects. Sharing a similar concern, Mr Andrew LEUNG urged the Administration to provide tax incentives to attract private R&D investment. In this connection, he noted that the Government of Singapore provided tax incentives to encourage foreign investment in R&D projects.

29. SCED advised that one of the strengths of Hong Kong lay in its simple tax regime with low tax rates. Hong Kong's tax system, which had been operating smoothly and effectively, should not be changed lightly. To encourage more private R&D investment, the Administration had introduced the R&D Cash Rebate Scheme under which a 10% cash rebate could be provided to private companies investing in R&D with no ceiling on the amount of cash rebate to be received by a company in a given period.

Summing up

30. The Chairman concluded that the Panel was generally in support of the proposed strategy to create a favourable ecological environment to facilitate the realization of R&D results in Hong Kong and the proposed improvement measures under the ITF Review.

VI. Progress update on the support measures for small and medium enterprises

(LC Paper No. CB(1)389/10-11(06) -- Administration's paper on progress update on the support measures for small and medium enterprises

LC Paper No. CB(1)389/10-11(07) -- Paper on the support measures for small and medium enterprises prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

31. At the Chairman's invitation, Secretary for Commerce and Economic Development (SCED) briefed members on the progress update on the support measures for small and medium enterprises (SMEs), as set out in the Administration's paper (LC Paper No. CB(1)389/10-11(06)). SCED added that the Board of the Hong Kong Mortgage Corporation Limited (HKMC) had approved the launching of a SME Financing Guarantee Scheme ("the Scheme") on 1 January 2011 to assist local enterprises in obtaining loans. Moreover, the Hong Kong Export Credit Insurance Corporation had decided to extend insurance coverage to contracts between Hong Kong enterprises' wholly owned subsidiaries and their buyers starting early 2011. The extension would offer Hong Kong enterprises better credit risk protection.

Discussion

32. Mr Andrew LEUNG and Ms Starry LEE declared that they were the Directors of the Board of HKMC.

SME Financing Guarantee Scheme

33. Mr Jeffrey LAM welcomed the launching of the Scheme by HKMC upon expiry of the Government's Special Loan Guarantee Scheme (SpGS). He was keen to ensure that the Scheme would provide timely assistance to SMEs in obtaining sustainable financing. He relayed the SMEs' wish that the processing of applications and interest rates charged under the Scheme should be as flexible as that of the SpGS. In this connection, Mr Andrew LEUNG urged the Administration to render more assistance to SMEs in tapping the Mainland domestic market.

34. In response, SCED advised that the Administration would continue to keep a close watch on the market and provide timely assistance to SMEs if the situation so warranted. As announced by the Chief Executive in his 2010-2011 Policy Address, additional funding would be injected into the SME Export Marketing Fund and SME Development Fund in 2011. More trade promotion activities would also be held this year in the Mainland in collaboration with the Hong Kong Trade Development Council.

35. Mrs Regina IP opined that in launching the Scheme, the HKMC had trespassed its role and function of offering a source of liquidity and promoting wider home ownership in Hong Kong. She expressed great dissatisfaction that the Panel on Financial Affairs had not been consulted on the Scheme prior to its announcement.

36. SCED understood from HKMC that it had consulted and taken into account the views of the stakeholders in drawing up the Scheme, and that it would brief the Panel on Financial Affairs on the Scheme in due course.

37. Ms Starry LEE expressed concern that banks might be less willing to provide financing to SMEs under the Scheme vis-à-vis the SpGS. She enquired whether the Administration had carried out any assessment on the number of SMEs affected as a result.

38. SCED responded that the SME Loan Guarantee Scheme (SGS), with a guarantee ratio of 50%, would continue to operate and render assistance to SMEs in obtaining loans from banks. The Scheme mainly served to complement the SGS in encouraging the lending institutions to extend sustainable financing for the SMEs in Hong Kong. The Scheme would offer additional features such as revolving credit facility.

Summing up

39. The Chairman concluded that the majority of the members generally supported the launching of the Scheme by HKMC, and one member had expressed concern over the consultation process leading to the decision to implement the SME Financing Guarantee Scheme.

VII. Any other business

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

Council Business Division 1
Legislative Council Secretariat
13 January 2011