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**Panel on Information Technology and Broadcasting**

**Meeting on 8 December 2014**

**Updated background brief on Hong Kong Design Centre**

**Purpose**

This paper provides background information on the Government's support for the operation of Hong Kong Design Centre ("HKDC") and a summary of the views and concerns expressed by Members during previous discussions on the work of HKDC.

**Background**

2. HKDC is a non-profit making infrastructure organization established in 2001 to further the development of design. It is a company limited by guarantee, with the Hong Kong Designers Association, Chartered Society of Designers, Hong Kong, Interior Design Association Hong Kong, Hong Kong Fashion Designers Association, and the Hong Kong Federation of Design Associations as members. The objectives of HKDC are to, among other things, promote design as a value-added activity and integration of design into mainstream business processes, which are in line with the Government's policy on the promotion of design and innovation. HKDC has since its inception been the Government's main partner in promoting design. To support HKDC's initial operation, the Government provided a one-off funding of \$10 million to HKDC as seed money in 2001. The Finance Committee ("FC") approved in June 2004 a funding commitment of \$250 million for the setting up of the DesignSmart Initiative<sup>1</sup> ("DSI") under which \$45 million was set aside for supporting the operation of HKDC.

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<sup>1</sup> DesignSmart Initiative ("DSI") aimed at supporting and promoting design and related activities that offer industries and businesses the ability to differentiate themselves from their competitors, add value to their products or services, and increase their economic competitiveness. DSI has subsequently migrated to the \$600 million CreateSmart Initiative which aims at providing financial support to initiatives that are conducive to the development and promotion of creative industries.

3. On 11 October 2006, the Chief Executive announced in his 2006-2007 Policy Address that the Government would earmark \$100 million over five years for HKDC to further assist the trades and industries in Hong Kong to make full use of their designs and build their brand names. Following consultation with the Panel on Commerce and Industry, the Administration submitted a funding proposal of \$100 million to support the operation of HKDC over five years to promote the importance of design and innovation. The proposal was approved by FC on 25 May 2007.

4. On 9 February 2009, the Administration presented a proposal on the setting up of a dedicated office for creative industries, Create Hong Kong ("CreateHK"), to the Panel on Information Technology and Broadcasting ("the ITB Panel"). The ITB Panel was supportive of the Administration's proposal to, among others, transfer the \$100 million non-recurrent commitment for HKDC under the Innovation and Technology Commission to CreateHK under the Communications and Technology Branch, which would in future be responsible for managing the commitment. On 1 June 2009, the Administration set up CreateHK which aimed to coordinate Government policy and effort regarding creative industries, focus Government's resources catering for the promotion and speeding up of the development of creative industries in Hong Kong, and work closely with the trade to boost the development of creative industries.

5. Following consultation with the ITB Panel, the Administration sought FC's approval to increase the financial commitment by \$70 million to support the operation of HKDC for three years from 1 July 2012 to 30 June 2015, to create a new commitment of \$37.5 million to provide dedicated funding to enable HKDC to organize the Business of Design Week ("BODW") and HKDC Awards, and to create a new commitment of \$26.25 million to provide funding support for HKDC to operate the Design Incubation Programme<sup>2</sup> ("DIP") from 1 May 2012. The funding proposal was approved by FC on 13 April 2012.

## **Previous discussions**

### Panel on Information Technology and Broadcasting

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<sup>2</sup> The Design Incubation Programme aims at nurturing design start-ups to help build up a design talent pool and design entrepreneurship in Hong Kong. It offers funding support and other support services to incubatees, with a view to helping them meet the challenges during the early and critical stages of development.

*Nurturing talents and design start-ups*

6. At the ITB Panel meeting on 11 March 2013, members were briefed on the proposal, which was subsequently approved by the FC, to inject an additional \$300 million into the CreateSmart Initiative ("CSI") and to expand the ambit of CSI to cover the Design-Business Collaboration Scheme<sup>3</sup> ("DBCS"). Some members urged the Administration to step up efforts to promote CSI funding scheme to small and medium sized enterprises ("SMEs") and to nurture talents and start-ups, in particular on the provision of overseas design training programmes to the young generation, and help them build their brands with international renown in areas such as fashion design. Some other members urged the Administration to render support to local manufacturing industries and to accord priority to applicants under DBCS with factories operating in Hong Kong. The Administration advised that it would continue to encourage and support local SMEs and designers in the development of creative industry. At the ITB Panel's request, the Administration amended the application form and template of the completion report for new DBCS projects for collection of information on where applicants' project deliverables were produced.

7. At the ITB Panel meeting on 10 February 2014, the Administration updated members on the work of CreateHK in 2013 and gave a preview of CreateHK's major initiatives in 2014. Some members opined that the Administration should provide assistance to start-ups in the creative industry in the commercialization of inventions and tapping new markets outside Hong Kong. The Administration advised that CreateHK would continue to facilitate the various sectors of Hong Kong's creative industry in tapping the Mainland market.

8. At the ITB Panel meeting on 12 May 2014, some members were of the view that the Administration should carry out various initiatives to promote design on a continuous and ongoing basis rather than as one-off events. These members suggested that focal points in the format of design workshops could be set up in collaboration with other related organizations such as tertiary institutions and Police Married Quarters so as to gather, promote and nurture young talents in the design sector.

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<sup>3</sup> The Design-Business Collaboration Scheme provides matching grant to encourage small and medium sized enterprises in using design services.

*Performance indicators and research support*

9. At the ITB Panel meeting on 12 May 2014, some members opined that economic indicators in terms of job opportunities or the value added to the Gross Domestic Product should be made available to evaluate the work of HKDC. Noting that the time-limited funding currently provided by the Government to support the operation of HKDC as well as BODW and HKDC Awards would lapse in the middle of 2015, some members urged the Administration to set or appraise more pragmatic performance or outcome indicators for assessing the work of HKDC so as to seek the Panel's support for a further funding proposal in the future.

10. The Administration advised that, according to the statistics produced by the Census and Statistics Department, the value added by the design sector to the economic growth of Hong Kong had increased by 230% from \$1 billion in 2005 to \$3.3 billion in 2012 while the number of persons engaged by the design sector increased by 47% from some 9,600 to some 14,000 during the same period. The Administration also advised that HKDC itself or its programmes were mentioned in 1,148 news clippings, with the public relations media value generated estimated to be some \$110 million while the total expenditure involved in such HKDC-organized programmes were some \$84 million. Nevertheless, the impact of programmes conducted by a design promotional agency such as HKDC was not always quantifiable and readily ascertainable. The Administration would work with HKDC to invite experts and academia in this aspect to conduct tracking surveys and set performance indicators for assessing the work of HKDC, as part of the emerging design culture or ecosystem in Hong Kong.

11. Some Panel members pointed out that usability study and user behaviour research could facilitate successful commercialization of design deliverables as usability in product design was a critical success factor. These members suggested that the Government should make reference from Singapore to set up user laboratory to carry out studies on products' usability and user experience, and step up efforts in facilitating scientific researches and analyses which could provide useful data for the design process. The Administration responded that CSI under CreateHK had been sponsoring tertiary educational institutions in conducting various researches in the design areas in recent years. The Knowledge of Design Week and insight study had already provided a platform for local talents in the design sector to exchange views with world-renowned masters and speakers regarding usability research.

## Finance Committee

12. At the special FC meeting on 2 April 2014, Hon Andrew LEUNG, Hon Martin LIAO and Hon MA Fung-kwok raised questions, among others, on the resources deployed for the operation of HKDC in driving the development of the local design sector. The Administration advised that CreateHK would continue to support the operation of HKDC, provide funding support for the HKDC to organize the BODW and the HKDC Awards, and support the HKDC in administering the second phase of the DIP. The estimated provision in 2014-2015 for the work of HKDC was about \$52.9 million.

## **Latest position**

13. The Administration and HKDC representative will update the ITB Panel on 8 December 2014 on the progress of work of HKDC and its future plans.

## **Relevant papers**

14. A list of the relevant papers with their hyperlinks is at:  
[http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb\\_g.htm](http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb_g.htm)