

立法會
Legislative Council

LC Paper No. CB(1)1186/15-16
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 17 May 2016, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon WONG Ting-kwong, SBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon Dennis KWOK
Hon SIN Chung-kai, SBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan

Member attending : Dr Hon Elizabeth QUAT, JP

Member absent : Hon Emily LAU Wai-hing, JP

**Public officers
attending**

: Agenda item IV

Innovation and Technology Bureau

Dr David CHUNG Wai-keung
Under Secretary for Innovation and Technology

Mr Ricky CHONG Kwok-man
Principal Assistant Secretary for Innovation and
Technology

Innovation and Technology Commission

Ms Annie CHOI Suk-han
Commissioner for Innovation and Technology

Mr Johann WONG Chung-yan
Deputy Commissioner for Innovation and
Technology

Mr Vincent TANG Chi-leung
Assistant Commissioner for Innovation and
Technology (Infrastructure & Quality Services)

Agenda item V

Innovation and Technology Bureau

Dr David CHUNG Wai-keung
Under Secretary for Innovation and Technology

Mr Ricky CHONG Kwok-man
Principal Assistant Secretary for Innovation and
Technology

Innovation and Technology Commission

Ms Annie CHOI Suk-han
Commissioner for Innovation and Technology

Mr Johann WONG Chung-yan
Deputy Commissioner for Innovation and
Technology

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

Attendance by invitation : Agenda Item IV

Hong Kong Science and Technology Parks Corporation

Mr Allen MA
Chief Executive Officer

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

Staff in attendance : Miss Rita YUNG
Senior Council Secretary (1)8

Miss Judy YEE
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

I. Confirmation of minutes of meetings

(LC Paper No. CB(1)890/15-16 -- Minutes of meeting held on
16 February 2016

LC Paper No. CB(1)902/15-16 -- Minutes of meeting held on
15 March 2016)

The minutes of the meetings held on 16 February and 15 March 2016 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)831/15-16(01) -- Information paper on "SME
Financing Guarantee Scheme -
Special Concessionary
Measures"

LC Paper No. CB(1)869/15-16(01) -- Information paper on "Co-operation between Hong Kong and the Mainland – Hong Kong/Guangdong Co-operation")

2. Members noted the above papers issued since the last meeting.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)901/15-16(01) -- List of outstanding items for discussion

LC Paper No. CB(1)901/15-16(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 21 June 2016 at 2:30 pm to discuss the following items proposed by the Administration –

- (a) Government's policy relating to the promotion of research and development and progress report on Research and Development Centres 2015-2016;
- (b) Research and development of Chinese medicines; and
- (c) Diversified development of industries in Hong Kong.

(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, members were informed vide LC Paper Nos. CB(1)981/15-16 and CB(1)1028/15-16 on 30 May and 13 June 2016 respectively that two additional items, namely "Innovation and Technology Venture Fund" and "Proposal for Professional Services Advancement Support Scheme" were included in the agenda for the June meeting.)

4. In response to Mr Charles MOK's enquiry, the Chairman informed members that no regular Panel meeting was scheduled to be held in July 2016.

IV. Progress on the implementation of the revised Industrial Estate Programme

(LC Paper No. CB(1)901/15-16(03) -- Administration's paper on "Implementation of Pilot Projects according to the Revised Industrial Estate Policy"

LC Paper No. CB(1)901/15-16(04) -- Paper on the progress on the implementation of the revised Industrial Estate Programme prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

5. At the invitation of the Chairman, Under Secretary for Innovation and Technology ("US for IT") briefed members on the background of the Revised Industrial Estate ("IE") Policy and the Administration's plan to develop two pilot projects, namely an Advanced Manufacturing Centre ("AMC") and a Data Technology Hub ("DT Hub") in Tseung Kwan O Industrial Estate ("TKOIE"). Under the Revised IE Policy, the Hong Kong Science and Technology Parks Corporation ("HKSTPC") would mainly build and manage specialized multi-storey industrial buildings for rental to multiple tenants whose production had strong innovation and technology ("I&T") content. At the same time, to grasp the opportunities brought about by fast development in information and communications technology and Internet of Things technologies, the Administration would like to attract high value-added industries to Hong Kong to promote re-industrialization and migrate to smart production. As TKOIE was considered an ideal location for the two pilot projects, US for IT sought members' support for the plan and the proposed financing arrangements for the two pilot projects in TKOIE.

6. Chief Executive Officer, Hong Kong Science and Technology Parks Corporation ("CEO, HKSTPC") further briefed members on the proposed scopes and development programmes of AMC and DT Hub. As AMC would focus on selected high value-added manufacturing with extended activities, including research and development ("R&D"), logistics support, prototyping and design, features such as high headroom and floor loading would be included in the building design. On the other hand, DT Hub aimed to accommodate uses ancillary or complementary to the data transfer operations and global telecommunications at the data centres and switching centres at TKOIE. Special features would be included to cater for data centre support, multi-media processing, submarine cable landing related needs and R&D activities in these fields. Details of the pilot projects are set out in the Administration's paper (LC Paper No. CB(1)901/15-16(03)).

Discussion

Target industries in the Advanced Manufacturing Centre and Data Technology Hub

7. Mr Charles MOK opined that AMC and DT Hub should establish a clearer positioning by targeting enterprises in selected high value-added industries as tenants to avoid giving the impression that these facilities were similar to the Hong Kong Science Park. Commissioner of Innovation and Technology ("CIT") said that AMC and DT Hub had their specific positioning. While AMC aimed to target selected high value-added manufacturing with extended activities including R&D, logistics support, prototyping and design, DT Hub aimed to focus on data centre support and related R&D activities.

8. Ir Dr LO Wai-kwok declared that he was a non-remunerated director of the Board of HKSTPC. Expressing his support for the two pilot projects, Ir Dr LO suggested that the Administration should communicate with multi-national enterprises, local small and medium enterprises in the target industries to better understand the varied industry-specific needs and include them in the design of the multi-storey industrial buildings under the two pilot projects.

9. CIT responded that when designing the multi-storey specialized buildings of AMC, the Administration would allow flexibility to accommodate the varied needs of different industries with features such as vibration-resistant environment, high ceiling height and floor loading for high value-added industries which were not suitable to operate in ordinary industrial buildings. Furthermore, CIT said that HKSTPC had been in touch with related industry bodies and enterprises, some of which had already expressed their interest in the pilot projects.

Provision of ancillary facilities and improvement of transport to TKOIE

10. Mr Charles MOK and Ir Dr LO Wai-kwok expressed concern about the transport to TKOIE. As the working population was expected to increase in TKOIE upon the completion of AMC and DT Hub, Mr MOK and Ir Dr LO urged the Administration to improve the transport to TKOIE and its adjacent area expeditiously. In particular, Mr MOK asked whether sufficient car parking spaces would be provided in the two pilot projects, and called on the Administration to provide assistance for the existing IE tenants who had difficulties in applying for permits to operate company coaches. The Administration was also urged to provide ancillary facilities such as banking and catering services in TKOIE.

11. CIT noted members' suggestions and said that car parking spaces would be provided in AMC and the basement of DT Hub. General supporting facilities would also be provided in TKOIE under the two pilot projects.

Future development of data centres

12. Given the rising demand for data centres worldwide, Mr Martin LIAO enquired whether the Administration had assessed if the existing total floor area available for the development of data centres would be sufficient in the next five to ten years. Mr LIAO also suggested that the Administration should introduce tax rebates and tax concessions for I&T projects and be flexible in implementing I&T-related policies to encourage and attract multi-national I&T enterprises to set up their data centres in Hong Kong instead of neighbouring economies.

13. US for IT replied that the Administration would make available vacant greenfield sites for sale to facilitate the development of data centres and one of the sites due for sale was in Tseung Kwan O. Moreover, the waiver fee originally charged for converting industrial buildings into data centres had been removed. Data centres were also encouraged to consider other modes of operation, for example using advanced technology or modular equipment. US for IT said that the development of data centres was best driven by the market. At Mr LIAO's request, US for IT undertook to provide information on the total floor area expected to be required for the development of data centres in Hong Kong.

(Post-meeting note: The information provided by Administration was circulated to members vide LC Paper No. CB(1)1024/15-16(01) on 10 June 2016.)

14. Following up on US for IT's reply to Mr Martin LIAO's question, Mr Charles MOK expressed opposition to encouraging data centres to operate in industrial buildings. Mr MOK relayed that operators of data centres had difficulties in renting premises in industrial buildings as most of them were held by property developers, and criticized the Administration for not making sufficient land available for the development of data centres.

15. Mr SIN Chung-kai enquired whether there was any fallback plan should the utilization rate of AMC and DT Hub was lower than expected. CIT replied that AMC and DT Hub were flexible in design so that they could accommodate different high value-added industries.

Tenancy agreement

16. Ir Dr LO Wai-kwok observed that many overseas IEs, including those in the Mainland, provided both purpose-built and multi-storey industrial buildings for letting to cater for the varied needs of different industries and to accommodate companies of different sizes in order to create a cluster effect. On the other hand, some tenants of IEs in Hong Kong had moved the manufacturing process of their industries to the Mainland and used the IE sites for storage or as offices. CIT

replied that IE sites should mainly be used for manufacturing activities rather than as storerooms and offices. To ensure efficient utilization of IE land, HKSTPC had been encouraging those tenants who were not fully utilizing their sites to consider starting new projects or surrendering their sites to HKSTPC. In recent months, some tenants had already surrendered their IE sites to HKSTPC.

17. The Chairman enquired about the rental level and details of the tenancy arrangements of AMC and DT Hub. CEO, HKSTPC replied that the rental would be set at a level competitive to the private sector. The two pilot projects would offer tenancy agreements for a longer term so that tenant enterprises would be more confident to invest in machinery for long-term development. Moreover, supporting facilities would be included in the two pilot projects, for example, 30% of the gross floor area of DT Hub was reserved for commercial activities and catering services, and approximately 200 parking spaces would be provided.

Summing up

18. The Chairman concluded that the Panel supported in principle the development plan and the Administration's proposed financing arrangements for the two pilot projects in TKOIE.

V. New initiatives for promotion of innovation and technology

(LC Paper No. CB(1)901/15-16(05) -- Administration's paper on "New Initiatives under the Innovation and Technology Fund to Promote Innovation and Technology"

LC Paper No. CB(1)901/15-16(06) -- Paper on the new initiatives for promotion of innovation and technology prepared by the Legislative Council Secretariat (background brief)

LC Paper No. CB(1)917/15-16(01) -- Submission from The Chamber of Hong Kong Computer Industry dated 16 May 2016
(*Chinese version only, issued by e-mail on 16 May 2016 and tabled at the meeting*)

LC Paper No. CB(1)929/15-16(01) -- Letter from Hon Charles Peter MOK dated 16 May 2016
(*Chinese version only, issued by e-mail on 16 May 2016 and tabled at the meeting*)

Presentation by the Administration

19. The Chairman drew the attention of members to a submission from The Chamber of Hong Kong Computer Industry and a letter from Mr Charles MOK enclosing a joint submission by 72 organizations and individuals of the information technology ("IT") sector, which were issued to members by e-mail on 16 May 2016 and tabled at the meeting (LC Paper Nos. CB(1)917/15-16(01) and CB(1)929/15-16(01)).

20. At the invitation of the Chairman, Under Secretary for Innovation and Technology ("US for IT") briefed members on the Administration's latest initiatives under the Innovation and Technology Fund ("ITF") to promote innovation and technology ("I&T"). The new initiatives included:

- (a) launching a Midstream Research Programme for Universities funded by the University Grants Committee ("MRP") to encourage universities to conduct more theme-based midstream research in focused technology areas;
- (b) launching a Pilot Technology Voucher Programme ("PTVP") to subsidize the use of technological services and solutions by local small and medium enterprises ("SMEs");
- (c) increasing the level of cash rebate under the Research and Development ("R&D") Cash Rebate Scheme;
- (d) expanding the Public Sector Trial Scheme to cover incubatees of Hong Kong Science Park ("HKSP") and Cyberport; and
- (e) increasing the monthly allowances of interns under the Internship Programme and extending it to cover incubatees and SME tenants of HKSP and Cyberport, as well as start-ups funded by the proposed Innovation and Technology Venture Fund ("ITVF").

21. US for IT called for members' support for the proposal to inject additional \$2 billion into ITF for launching MRP, and the implementation of the other new initiatives (paragraphs 20(b) to (e)). Details of the initiatives were set out in the Administration's paper (LC Paper No. CB(1)901/15-16(05)).

Discussion

22. The Chairman reminded members that in accordance with Rule 83A of the Rules of Procedure of the Legislative Council, they should disclose the nature of any direct or indirect pecuniary interests relating to the funding proposal under

discussion at the meeting before they spoke on the proposal.

Midstream Research Programme for Universities funded by the University Grants Committee

23. Dr LAM Tai-fai sought elaboration on the definition of midstream research. Commissioner for Innovation and Technology ("CIT") said that midstream research involved research activities in between basic research and applied research. They mostly arose from findings of basic research, which were experimental or theoretical work leading to new discoveries or new knowledge without any particular application. Midstream research covered a wide range of activities, including concept proofing, laboratory validation, system/process optimization, etc. It had the potential of leading to further downstream R&D work, the outcome of which could be applied or commercialized.

24. Deputy Commissioner for Innovation and Technology cited the example of an ITF-funded project conducted by The Chinese University of Hong Kong ("CUHK"), and explained that arising from the discovery of the presence of fetal nucleic acids in maternal blood plasma in a CUHK basic research, CUHK researchers proceeded to conduct midstream research to develop a non-invasive prenatal diagnostic approach for Down syndrome by direct analyzing fetal deoxyribonucleic acid collected from the mother's blood sample. Arising from the midstream research findings, further applied R&D work was carried out and a new non-invasive diagnostic kit was eventually developed and commercialized, benefitting millions of mothers and babies in many countries.

Pilot Technology Voucher Programme

25. Pointing out that the IT sector had been calling for the introduction of a technology voucher scheme for many years, Mr Charles MOK and Dr Elizabeth QUAT welcomed the launch of PTVP to subsidize the use of technological services and solutions by local SMEs. They were keen to ensure that PTVP could help SMEs improve productivity, and upgrade, transform or re-tool their business processes, as well as create more business opportunities for SMEs of the IT sector. Mr MOK and Dr QUAT called for simple application process and reporting requirements for PTVP so that there would not be too much hindrance to the SME applicants. Mr MOK asked for the implementation details of PTVP, and suggested that sufficient and clear guidelines on application, as well as a performance pledge for processing applications should be provided.

26. In response, CIT said that the broad framework of PTVP was set out in paragraph 10 of the Administration's paper (LC Paper No. CB(1)901/15-16(05)). The Administration took note of members' views, and was working on the detailed implementation arrangements, making reference to similar schemes adopted in

other places such as the United Kingdom, Singapore, South Australia, Shenzhen, etc. The Administration considered that the vetting and monitoring procedure of PTVP should be light while still ensuring proper control on the use of public money.

27. Mr Charles MOK and Dr Elizabeth QUAT enquired whether IT services provided on a monthly basis, such as cloud-based services and applications, would be covered by PTVP. Dr QUAT referred to the requests of the IT sector for relaxing the exclusion items of PTVP to include more projects, such as allowing off-the-shelf computer software which involved certain customization or configuration to suit individual enterprises' needs to be funded. She also suggested that the Administration should consider allowing trade associations to apply for a larger funding amount to undertake projects to develop computer software or applications for use by SMEs in specific sectors. Mr MOK and Dr QUAT called on the Administration to actively engage the IT sector and take into account their views when working out the implementation details of PTVP.

28. CIT responded that a vetting committee would be formed to vet applications, particularly whether the proposed technological services or solutions were able to enhance the productivity of the applicant's business operations and the reasonableness of the cost items. Off-the-shelf equipment, computer software and hardware were generally not funded, unless they formed an essential part of an integrated solution, in which case the vetting committee would be consulted on the reasonableness of the equipment cost vis-à-vis the total cost. IT services provided on a monthly basis would be allowed as long as it was an essential part of the project and within the approved project duration. The Administration would consult the vetting committee on the funding mechanism of PTVP in due course.

29. CIT said that PTVP aimed to subsidize local SMEs in using technological services and solutions to improve productivity, and upgrade, transform or re-tool their business processes. The Administration had met with relevant stakeholders and industry representatives and noted their views and concerns. She said that apart from IT, PTVP also covered other technology areas, such as cleaner production technologies and "Industry 4.0". PTVP would be implemented for an initial period of three years with \$500 million. The Administration would review the effectiveness and the modus operandi, such as the funding scope, funding amount and vetting procedures of PTVP after two years, or if the Administration foresaw full commitment of the \$500 million.

Other initiatives to promote innovation and technology

30. In addition to providing financial support to encourage research institutions to conduct more R&D projects, and the adoption of new technologies and more

investment in R&D by the private sector, Mr SIN Chung-kai enquired about other initiatives to promote the development of I&T in Hong Kong. US for IT and CIT responded that other initiatives included, for example, promoting the collaboration between Hong Kong and renowned international scientific research institutes, and the revised industrial estate policy to promote re-industrialization. These initiatives were not new funding schemes but were nonetheless needed to drive I&T development.

31. Dr LAM Tai-fai remarked that Hong Kong's gross expenditure on R&D as a ratio to Gross Domestic Product at below 0.8% was low compared to neighbouring countries and cities. He said that there were not adequate university students in science, technology, engineering and mathematics ("STEM")-related programmes, and many graduates did not pursue a career in the I&T sector due to limited job opportunities. He enquired about the Administration's initiatives to encourage more young people to study STEM-related university programmes and retain these students to pursue a career in the I&T sector.

32. In response, CIT said that each year there were over 9 000 graduates of STEM-related programmes. The Internship Programme under ITF provided financial support to organizations undertaking ITF-funded R&D projects to recruit local university graduates as interns, thereby providing exposure and incentives to graduates to explore their interests and start a career in R&D. Some 70% of the interns who completed the internship either found a job or indicated interest in a future career in the I&T community. The Administration had proposed to extend the Internship Programme to cover the incubatees and SME tenants in HKSP and Cyberport, as well as start-ups funded by the proposed ITVF. The Administration would also continue to encourage more private sector investment in R&D, including attracting multinational technology companies to set up R&D bases in Hong Kong.

33. Dr LAM Tai-fai enquired about how the Administration's initiatives relating to I&T could complement the Belt and Road Initiative of the Central People's Government and bring about benefits to Hong Kong's economy and the community. US for IT and CIT responded that the Administration was committed to driving I&T development, which in turn would be conducive to the upgrading and transformation of Hong Kong's economic structure. The Administration would strive to create a vibrant I&T ecosystem and promote Hong Kong as the gateway to the Mainland market. The Administration would continue to attract more technology companies and talents from the countries in the Belt and Road region to invest and work in Hong Kong.

Summing up

34. The Chairman concluded that the Panel supported in principle the proposed new initiatives (paragraphs 20(b) to (e)) to foster the adoption of new technologies, the devotion of more focus and investment on R&D, and to encourage young graduates to join the I&T workforce. The Panel also supported that the proposal to inject an additional \$2 billion into ITF for MRP be put forward to the Finance Committee for approval.

VI. Any other business

35. There being no other business, the meeting ended at 4:27 pm.

Council Business Division 1
Legislative Council Secretariat
26 August 2016