

**立法會**  
***Legislative Council***

LC Paper No. CB(1)1197/15-16  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 21 June 2016, at 2:30 pm**  
**in Conference Room 2A of the Legislative Council Complex**

**Members present** : Hon WONG Ting-kwong, SBS, JP (Chairman)  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK, JP  
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** : Hon CHAN Yuen-han, SBS, JP

**Members absent** : Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)  
Hon Emily LAU Wai-hing, JP  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Dr Hon LAM Tai-fai, SBS, JP  
Hon Dennis KWOK

**Public officers  
attending**

**: Agenda item III**

Mr Nicholas W YANG, JP  
Secretary for Innovation and Technology

Mrs Millie NG KIANG Mei-nei  
Deputy Secretary for Innovation and Technology

Ms Annie CHOI Suk-han, JP  
Commissioner for Innovation and Technology

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

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

**Agenda item IV**

Ms Annie CHOI Suk-han, JP  
Commissioner for Innovation and Technology

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

Mrs Millie NG KIANG Mei-nei  
Deputy Secretary for Innovation and Technology

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

**Agenda item V**

Ms Annie CHOI Suk-han, JP  
Commissioner for Innovation and Technology

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

Mrs Millie NG KIANG Mei-nei  
Deputy Secretary for Innovation and Technology

Dr Cecilia PANG Wai-bing  
Biotechnology Director  
Innovation and Technology Commission

Mr Kesson LEE  
Secretary-General (Testing and Certification),  
Hong Kong Council for Testing and Certification,  
Innovation and Technology Commission

Mr Robert LAW Kwok-wai  
Senior Pharmacist (Traditional Chinese  
Medicine)<sup>2</sup>, Department of Health

Agenda item VI

Mr Godfrey LEUNG King-kwok, JP  
Under Secretary for Commerce and Economic  
Development

Mrs Alice CHEUNG CHIU Hoi-yue, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)<sup>3</sup>

Mr Jerry LIU Wing-leung  
Head of Create Hong Kong

Ms Emily MO Yuen-ching  
Assistant Commissioner for Tourism <sup>2</sup>

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

Mr Francis LEUNG Lap-ki  
Principal Assistant Secretary for Development  
(Works)<sup>4</sup>

Ms Candy NIP Kai-yan  
Principal Assistant Secretary for Transport and  
Housing (Transport)<sup>8</sup>

Miss Mary TSANG Fung-yee  
Principal Assistant Secretary for Transport and  
Housing (Transport)11

Agenda Item VII

Mr Philip YUNG Wai-hung, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

Mr David WONG Fuk-loi, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)2

Ms Ivy CHAN Ah-wing  
Principal Assistant Secretary for Commerce and  
Economic Development (Commerce and  
Industry)4

**Attendance by  
invitation**

: Agenda item IV

Hong Kong Applied Science and Technology  
Research Institute

Dr Franklin TONG Fuk-kay  
Chief Executive Officer

The Nano and Advanced Materials Institute

Mr Daniel YU Wang-tak  
Chief Executive Officer

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

Mr Simon WONG Kwong-yeung  
Chief Executive Officer

The Hong Kong Research Institutes of Textiles  
and Apparel

Mr Edwin KEH Yee-man  
Chief Executive Officer

Hong Kong Productivity Council

Dr Lawrence CHEUNG Chi-cheong  
Director (Technology Development)

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

**Staff in attendance :** Ms Connie HO  
Senior Council Secretary (1)3

Miss Rita YUNG  
Senior Council Secretary (1)8

Miss Judy YEE  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)3

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Action

**I. Confirmation of minutes of meetings and matters arising**

(LC Paper No. CB(1)1043/15-16 -- Minutes of meeting held on  
19 April 2016

LC Paper No. CB(1)1045/15-16(01) -- List of outstanding items for  
discussion

LC Paper No. CB(1)1045/15-16(02) List of follow-up actions)

The minutes of the meeting held on 19 April 2016 were confirmed.

**II. Information papers issued since last meeting**

(LC Paper No. CB(1)992/15-16(01) -- Information paper on the  
financial position of the Applied  
Research Fund for the period  
from 1 June to 31 August 2015

File Ref: CITB CR 75/53/8 and CITB CR 75/53/9 -- Legislative Council Briefs on United Nations Sanctions (Central African Republic) Regulation 2016 and United Nations Sanctions (Yemen) Regulation 2015 (Amendment) Regulation 2016)

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

### **III. Innovation and Technology Venture Fund**

(LC Paper No. CB(1)1045/15-16(03) -- Administration's paper on "Innovation and Technology Venture Fund"

LC Paper No. CB(1)1045/15-16(04) -- Paper on the funding initiatives to support innovation and technology start-ups prepared by the Legislative Council Secretariat (background brief))

#### Presentation by the Administration

3. At the invitation of the Chairman, Secretary for Innovation and Technology ("S for IT") briefed members on the Administration's proposal to establish a \$2 billion Innovation and Technology Venture Fund ("ITVF") to stimulate private investment in local innovation and technology ("I&T") start-ups as well as the relevant proposed institutional arrangements and management framework of the Fund. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)1045/15-16(03)). Subject to the Panel's support to the proposal, the Administration planned to seek the approval from the Finance Committee ("FC") in July 2016 for the proposal of establishing ITVF, and to finalize the implementation details accordingly with a view to launching ITVF in the first half of 2017.

#### Discussion

4. 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 proposals under discussion at the meeting before they spoke on the proposals.

*Management framework*

5. Mr Charles MOK relayed the view of the I&T industry that according to overseas experience, introducing more venture capital ("VC") funds into Hong Kong would be beneficial to the development of local I&T start-ups. Mr MOK enquired about the pros and cons of engaging VC funds under ITVF to manage the investment projects instead of having a direct oversight over these projects by the Government as in the operation of the Applied Research Fund ("ARF"), an existing government fund which provided funding support to technology ventures and research and development ("R&D") projects that had commercial potential.

6. Commissioner for Innovation and Technology ("CIT") said that ARF was a government VC fund set up in 1993 under which investments were managed directly by the then Industry Department at its initial stage of operation. Given that Government officials might not be familiar with the business environment and could not bring added value (e.g. development of new markets) to the investee companies, VC firms were subsequently engaged in November 1998 to oversee the investment projects of ARF. She said that VCs engaged by ARF levied a management fee for the services rendered and they were not required to co-invest with the Government in the selected investment projects. The Government had found it difficult to exit for some of the investments. The Administration considered the operation mode of ARF undesirable.

7. CIT said that under the proposed management framework of ITVF, the partner VC funds would be required to contribute a larger share of the investment in a start-up to ensure that they would exercise prudence. The Government would be a passive investor, making direct investment in the start-ups concurrently with the VC fund upon invitation of the latter on the same investment and exit terms as the VC fund, thereby ensuring that the interests of the Government and the partner VC funds in investment projects were aligned. In place of management fees, partner VC funds would be offered competitive carried interest plus the option to purchase the Government's shares within five years at a cost of the principal amount plus a suitable premium as the upside incentives. These were performance-based incentives contingent on the success of the start-up, thus providing an incentive for VCs to select start-ups with good potential and bringing added value to the investee companies to foster their business development. CIT said that the proposed management framework of ITVF was designed having regard to the experience gained in the management of ARF, relevant overseas experience and the outcome of discussion with the VC industry.

8. Mr SIN Chung-kai enquired whether the proposed matching investment ratio of Government fund to VC funds of 1:2 in a start-up under the ITVF was a fixed ratio. S for IT said that the above investment ratio between the Government and the partner VC fund was an overall target, and the latter was

welcome to undertake a higher ratio of investment. CIT added that the Government aimed to achieve an overall matching investment ratio of Government fund to VC funds of approximately 1:2. The maximum investment quantum by the Government in each investment deal would not be more than 40% of the total amount of investment sought by the investee company in the deal or \$30 million, whichever was the lower. To limit the maximum loss the Government could incur on one single start-up company, the Government's aggregate amount of investment in each start-up would be capped at HK\$50 million.

9. Mr Charles MOK noted that the Administration would decline an investment offer proposed by the VC fund if the businesses concerned were in conflict with Government policies (e.g. businesses that might be illegal in Hong Kong). Referring to a project on the development of e-Scooter which was supported by the Hong Kong Science and Technology Parks Corporation and the Hong Kong Applied Science and Technology Research Institute but the application of the relevant technology/product in Hong Kong might be illegal at present, Mr MOK asked whether the Innovation and Technology Bureau would, taking the e-Scooter project as an example, consult relevant government departments on the legality of the project proposed by the VC fund prior to making an investment decision under ITVF, or consider updating the local legislation to allow the application of the relevant technology/product in Hong Kong. S for IT said that some products developed by Hong Kong companies were targeted at overseas markets. In determining whether to accept investment offers of VC funds, the Administration would take into consideration a number of factors, such as whether the concerned business and product were lawful in their targeted industries and markets.

10. Ir Dr LO Wai-kwok supported in principle the proposed setting up of the \$2 billion ITVF. While agreeing that the establishment of ITVF could help drive more VC funds to invest in I&T start-ups in Hong Kong, Ir Dr LO was keen to ensure that the Administration would exercise prudence over the use of public money. In this connection, Ir Dr LO enquired how the Administration would select investee companies under ITVF. He was concerned that ITVF might eventually become another R&D fund financing R&D projects, thereby deviating from the original policy intention of ITVF, which was to attract VC funds and assist start-ups.

11. S for IT said that under the proposed management framework of ITVF, the Administration would co-operate with the partner VC funds, but would be different from the usual form of a limited partnership. The Government would have the right of first refusal of co-investment in respect of any proposed investment by the VC fund. In deciding whether or not to accept the offer of VC funds on investment, the Administration would consider the business plan of the



concerned start-up to see if its business would have any conflict with the existing or planned government policies or legislation. The Administration considered that the above practice was prudent for selection of investment projects. Given that the resources of ITVF would be injected into the VC system for investment in local I&T start-ups, the Administration considered it unlikely for ITVF to become an R&D fund eventually.

12. Noting that the Government would not be a major investor in an investee company as its investment share would be smaller than that of the partner VC fund, Ir Dr LO Wai-ki was concerned that the Administration would not have a say or any control over the business development of the investee company which might probably be in conflict with government policies in the long run. Ir Dr LO also enquired how the Administration would determine the timing of exit from investment projects and make the appropriate exit arrangements with other investors.

13. S for IT said that the risk exposure of the Government would be controlled by partnering with more quality VC funds with good track records and high credibility. In addition, the requirement for VC funds to contribute a larger share of the investment could also help balance the risk of the Government in investee companies. S for IT pointed out that the setting up of similar matching investment funds in overseas countries by Governments had successfully helped build a venture funding eco-system for I&T start-ups. He anticipated that the proposed ITVF, the design of which was largely modelled on similar funds in other countries, should be able to achieve the same purpose in Hong Kong.

#### *Control and review mechanism*

14. Mr SIN Chung-kai noted that under the proposed institutional arrangements of ITVF, the Administration would incorporate a limited company under the Companies Ordinance (Cap. 32) to serve as a special purpose vehicle ("SPV") to facilitate control and administration of the Fund. Mr SIN enquired whether the proposed SPV and partner VC funds of ITVF would be subject to value-for-money audit of the Audit Commission. Dr CHIANG Lai-wan asked whether the financial statements of the investee companies would be made public.

15. S for IT responded that the proposed SPV would be subject to audit of the Audit Commission given that it was a limited company wholly-owned by the Government. He said that the partner VC funds would sign a master agreement ("MA") with the Government which set out the details of cooperation as well as the rights and obligations of each party. The partner VCs would be required to submit annual financial statements to the Government, which would administer ITVF in accordance with the MA and prepare consolidated financial statements of the Fund. However, partner VC funds would not be subject to audit of the Audit

Commission as they were commercial corporations.

16. CIT added that the financial statements of the investee companies relating to the investment projects would be subject to thorough examination of the Administration. That notwithstanding, disclosure of the detailed financial position of the investee companies might not be appropriate as that involved sensitive commercial information.

17. Mr SIN Chung-kai and Dr CHIANG Lai-wan noted that Government's investment under ITVF would go to the start-ups direct and not the VC funds. Given that SPV was a shareholder of the investee companies, Mr SIN and Dr CHIANG enquired whether the Government would have any representation on the boards of investee companies to safeguard the interests of the Government's investments in these companies. S for IT explained that the partner VC fund would usually have representation on the board of the investee company. Representative(s) of VC fund, usually its General Partner, would sit on the board of the investee company to help oversee the business development of the company on behalf of other Limited Partner(s). The Government, being a co-investor in the investee company, would not appoint its representative(s) to sit on the board of the investee company.

#### *Effectiveness of the Innovation and Technology Venture Fund*

18. Pointing out that VC funds preferred to look for investment opportunities in overseas markets rather than in Hong Kong, Dr CHIANG Lai-wan questioned the effectiveness of the proposed ITVF in attracting VC funds to invest in local I&T start-ups. S for IT said that VC funds were not keen to invest in Hong Kong technology start-ups in the past due to insufficient deal flow and low investment return. The proposed ITVF would encourage VC funds to invest in local I&T start-ups by reducing the risk of VC funds in the relevant investments and providing upside incentives to them in the form of carried interest and the option to purchase the Government's shares at a pre-agreed price. He added that the deal flow in Hong Kong had also improved given the increasing number of start-ups in recent years. In response to an enquiry of Dr CHIANG Lai-wan, S for IT clarified that the proposed ITVF would not invest in companies overseas.

19. Mr Charles MOK remarked that global economic downturn might undermine the investment incentives of VC funds and the business development of local I&T start-ups. He was concerned whether ITVF could effectively attract VC funds to invest in local technology start-ups and to provide long-term and stable financing to them amid poor investment environment. S for IT said that the MA signed between the SPV and the partner VC funds would be for five to ten years, and the relevant agreement period was typical in the VC industry. He added that VC funds would continue to look for investment opportunities during

the agreement period of MA in spite of economic downturn. Given that the valuation of local technology start-ups was on the low side as compared with that of the Mainland, the Hong Kong market was considered attractive to VC funds.

*Other issues and concerns*

20. Dr CHIANG Lai-wan enquired about the justifications for setting aside \$9.1 million as the recurrent expenditure of ITVF for the year 2016-2017. CIT said that of the said budgeted provision, about \$4 million would be used to meet the staff cost of the ITVF Secretariat while the remaining \$5 million was for meeting the legal and other administrative and promotion expenses of the Fund. She said that 4 to 5 staff would be recruited to man the ITVF Secretariat. Apart from the work relating to ITVF, staff of the ITVF Secretariat would also undertake some duties relating to the Innovation and Technology Fund.

21. Mr Charles MOK was concerned that the Administration might not be able to obtain FC's approval for the funding proposal of ITVF at its meetings in July given the large number of items to be dealt with by FC. Mr MOK urged the Administration to proceed with the necessary preparatory work in advance to speed up the implementation of ITVF. S for IT responded that discussion with VC funds had already started with a view to facilitating their early submission of expression of interest to become partner VCs once the relevant funding proposal was approved by FC.

*Summing up*

22. The Chairman concluded that the Panel supported in principle the Administration's proposal to establish ITVF as well as the relevant proposed institutional arrangements and management framework of the Fund. The Chairman urged the Administration to strive for early submission of the funding proposal to FC for approval.

**IV. Government's policy relating to the promotion of research and development and progress report on Research and Development Centres 2015-2016**

(LC Paper No. CB(1)1045/15-16(05) -- Administration's paper on "Progress Report on Research & Development Centres for 2015-16"

LC Paper No. CB(1)1045/15-16(06) -- Paper on the promotion of research and development and the Research and Development Centres prepared by the Legislative Council Secretariat (updated background brief)

### Presentation by the Administration

23. Members were shown a video presentation featuring the progress of selected projects on research and development ("R&D"), as well as the commercialization and application of R&D results of the five R&D Centres (i.e. R&D Centre for Information and Communications Technologies under the Hong Kong Applied Science and Technology Research Institute ("ASTRI"), Nano and Advanced Materials Institute ("NAMI"), Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies, Hong Kong Research Institute of Textiles and Apparel, and Automotive Parts and Accessory Systems R&D Centre). Details of the work of the five R&D Centres, including key activities of each Centre in 2015-2016, statistics and progress, were set out in the Administration's paper (LC Paper No. CB(1)1045/15-16(05)).

### Discussion

#### *Collaboration with the industries*

24. Noting that many R&D projects conducted by the five R&D Centres were collaborations between the R&D Centres and the industries where the latter contributed through sponsorship, Mr Charles MOK invited the representatives of the R&D Centres to share their experience in this regard. Mr MOK also noted that some small and medium enterprises ("SMEs") and start-ups which were interested in sponsoring the R&D projects might not have sufficient funds for the required sponsorship, and asked whether there were measures in place to resolve this problem and encourage the collaboration among SMEs, start-ups, and the five R&D Centres.

25. CIT replied that there were different types of R&D projects conducted by the R&D Centres. For collaborative projects, the level of industry contribution was at least 30% of the total project cost and the industry partner could obtain the ownership of the intellectual property ("IP") of the R&D projects if the level of industry contribution exceeded 50%. On the other hand, platform projects would require a minimum of only 10% of industry contribution, but the IP deriving from the R&D project would not be owned by the industry sponsor(s). The latter could nonetheless obtain the right to use the R&D outcomes through licensing arrangements. Furthermore, the R&D Centres could conduct seed projects

without industry contribution which were more forward-looking and exploratory in nature.

26. Chief Executive Officer, Hong Kong Applied Science and Technology Research Institute ("CEO, ASTRI") said that R&D projects for resolving imminent problems faced by the related industries would attract enthusiastic industry contributions. For R&D projects on future and disruptive technologies, ASTRI would rely on its own funding. CEO, ASTRI also said that ASTRI had developed technology platforms to connect SMEs and companies of various scales in Hong Kong. One of these platforms was collaboration between the ASTRI Security Lab and the banking industry in constructing a cyber intelligence sharing platform connecting all the 150-plus banks in Hong Kong.

*Commercialization of research and development results*

27. Observing that the results of the R&D projects of the five R&D Centres aimed at improving the quality of life, Mr Charles MOK called on wider application of the R&D results in the public sector so as to enhance the commercialization of the R&D results in the open market. He suggested that the various bureaux and departments could express their intention to adopt the relevant R&D results in the early stage of the R&D projects.

28. Ir Dr LO Wai-kwok declared that he was a non-remunerated member of the Board of Directors of NAMI and the Hong Kong Science and Technology Parks Corporation ("HKSTPC") respectively. Ir Dr LO echoed Mr Charles MOK's view that the Government should take the initiative and put more efforts into promoting the R&D results of the five R&D Centres to enhance the commercialization of R&D results.

*Promotion of research and development*

29. Ir Dr LO Wai-kwok suggested that the Administration should promote the advantages and benefits of joining the R&D sector to the young people, especially through the electronic media and social media, to attract young talents into the industry.

30. CIT took note of Ir Dr LO Wai-kwok's view and replied that the Administration had been promoting the work of the research institutions and the success stories through various channels including the annual InnoCarnival, newspapers and magazines, as well as their electronic editions which were popular among young people. CIT further said that encouraging results were shown by the substantial increase of university students participating in the annual Career Expo hosted by HKSTPC.

31. At 3:33 pm, the Chairman suspended the meeting to facilitate members' participation in a division of the Establishment Subcommittee meeting being held concurrently. The meeting resumed at 3:39 pm.

**V. Research and development of Chinese medicines**

(LC Paper No. CB(1)1045/15-16(07) -- Administration's paper on "Research and Development of Chinese Medicines"

LC Paper No. CB(1)1045/15-16(08) -- Paper on research and development of Chinese medicines prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

32. At the invitation of the Chairman, Commissioner for Innovation and Technology ("CIT") briefed members on the progress of effort made in promoting research and development ("R&D") of Chinese medicines ("CM"), covering the areas of funding support of R&D of CM by the Innovation and Technology Fund, understanding and supporting the development of the industry, promoting exchange of views and facilitating collaboration among stakeholders, as well as promoting the work of the Committee on Research and Development of Chinese Medicines to the industry and the community. Details of the work were set out in the Administration's paper (LC Paper No. CB(1)1045/15-16(07)).

Discussion

*Hong Kong Chinese Materia Medica Standards ("HKCMMS")*

33. Dr CHIANG Lai-wan enquired about the comparison between HKCMMS and the Pharmacopoeia of the People's Republic of China ("the Chinese Pharmacopoeia"), the recognition of HKCMMS by the international community, and the application of HKCMMS by the local proprietary CM ("pCm") manufacturing industry.

34. In response, Senior Pharmacist (Traditional Chinese Medicine)2, Department of Health ("SP, DH") said that to safeguard public health and promote the development of CM, the Administration was committed to developing comprehensive reference standards for some commonly used Chinese materia medica ("CMM"). The Department of Health ("DH") launched the HKCMMS project in 2001 and set up an International Advisory Board comprising local,

Mainland and overseas renowned experts to give professional advice on HKCMMS and examine the results of scientific research. While the Chinese Pharmacopoeia was a regulatory standard mandatory for CMM, CM decoction pieces and pCm, HKCMMS covered reference standards for over 230 CMM which were commonly used, of international importance and with good economic values. HKCMMS provided more detailed reference standards of safety and quality of CMM peculiar to the practical circumstances in Hong Kong, such as contents of heavy metals and pesticide residues. HKCMMS, which were bilingual, had gained international recognition, including the World Health Organization, as a reputable reference. Local pCm manufacturers might use HKCMMS as the quality reference standards for starting materials.

*Registration of proprietary Chinese medicines*

35. Dr CHIANG Lai-wan sought elaboration on the regulation of the sale of CM products in Hong Kong, such as whether the pCm products imported into and tested in Hong Kong would be allowed to display wordings such as "Hong Kong approved" on the products.

36. SP, DH said that pCm and pharmaceutical products in Hong Kong were regulated respectively under the Chinese Medicine Ordinance (Cap. 549) ("CMO") and the Pharmacy and Poisons Ordinance (Cap. 138). All products falling within the definition of pCm under CMO should be registered before they could be imported, manufactured or sold in Hong Kong. The regulation on health food was under the purview of the Food and Environmental Hygiene Department. SP, DH further said that the Chinese Medicines Board under the Chinese Medicine Council of Hong Kong was responsible for formulating registration requirements and processing registration applications of pCm in Hong Kong. According to CMO, no pCm should be sold unless they were properly labelled. Contents of the labels were specified in the relevant legislation. In general, promotional wordings such as "Hong Kong approved" would not be allowed.

37. Dr CHIANG Lai-wan asked about the registration requirements for Hong Kong manufactured pCm sold on the Mainland. SP, DH responded that Hong Kong and the Mainland were running two separate systems on the registration of pCm. Registration of medicines was territorial in nature and the registration was granted in each jurisdiction independently according to its legislation. As such, there was no arrangement for mutual recognition of pCm registration between different jurisdictions. Dr CHIANG Lai-wan suggested that the Administration should explore the possibilities of fostering mutual recognition of pCm registration with the Mainland, so as to help the pCm manufacturers in Hong Kong tap the Mainland market.

*Good Manufacturing Practice ("GMP") in respect of proprietary Chinese medicines*

38. Dr CHIANG Lai-wan asked about the updates on the implementation of GMP in respect of pCm. In response, CIT said that the Administration had been promoting the implementation of GMP in respect of pCm as a means to ensure the quality and safety of pCm and to keep up with international trends of developing GMP for medicines. The Administration had provided corresponding support measures to help local pCm manufacturers prepare for the future implementation of GMP. Examples of the CM GMP training and technical support were set out in paragraphs 9 to 13 of the Administration's paper (LC Paper No. CB(1)1045/15-16(07)). The Finance Committee had approved the funding proposal to develop an Advanced Manufacturing Centre ("AMC") in Tseung Kwan O Industrial Estate under the Revised Industrial Estate Policy. The building design of AMC would be flexible to cater for advanced automated production, including GMP facilities which require clean room environment. Local small and medium-sized manufacturers might consider setting up GMP facilities of a relatively smaller scale in AMC.

39. Dr CHIANG Lai-wan considered that local manufacturing of pCm products should be encouraged, and called on the Administration to provide adequate support to the local small and medium-sized pCm manufacturers. In response to Dr CHIANG's enquiry, CIT said that the Hong Kong Institute of Biotechnology ("HKIB") had provided GMP contract services for over 50 local pCm companies. The Chairman pointed out that some local pCm manufacturers had reservation about the need for them to disclose their pCm master formulae to HKIB under the GMP contract manufacturing arrangements. He called on the Administration to pay heed to their concerns. The Administration took note of the Chairman's views.

*Testing Centre for Chinese medicines*

40. Dr CHIANG Lai-wan supported the Administration's continued efforts in promoting testing and certification of CM and developing HKCMMS. She enquired about the progress of the setting up of the Testing Centre for CM ("CMTC") as announced in the 2015 Policy Address. SP, DH responded that DH was working on the setting up of CMTC, which would specialize in the testing of and scientific research on CM, with a view to setting reference standards for the safety, quality and testing methods of CM. CMTC would continue to study and formulate more HKCMMS, and embark on relevant research to strengthen the capability for the quality control and identification of CM, thereby facilitating the internationalization of Hong Kong's CM industry and enhancing Hong Kong as an international hub for CM testing. Before the establishment of CMTC at a permanent site, DH would be supported by the Hong Kong Science and



Technology Parks Corporation to set up a temporary CMTC at the Hong Kong Science Park, which was scheduled to commence operation in phases from 2017 onwards.

## **VI. Diversified development of industries in Hong Kong**

(LC Paper No. CB(1)1045/15-16(09) -- Administration's paper on "Diversified Development of Industries in Hong Kong")

### Presentation by the Administration

41. At the invitation of the Chairman, Under Secretary for Commerce and Economic Development ("USCED") briefed members on the Government's initiatives to promote the diversified development of industries in Hong Kong. The Government attached great importance to the diversified development of industries. To effectively formulate the direction of economic development, the Chief Executive announced in the 2013 Policy Address the establishment of the Economic Development Commission ("EDC"). The four respective Working Groups under EDC on convention and exhibition industries and tourism; manufacturing industries, innovative technology, and cultural and creative industries; professional services; and transportation had discussed ways to promote the development of relevant industries and submitted recommendations on the policies and measures to support the development of various industries, which were endorsed by EDC and accepted by the Government. Details of the relevant work and recommendations of EDC and the four Working Groups are set out in the Administration's paper (LC Paper No. CB(1)1045/15-16(09)).

42. At 4:11 pm, the Chairman suspended the meeting to facilitate members' participation in a division of the Establishment Subcommittee meeting being held concurrently. The meeting resumed at 4:17 pm.

### Discussion

#### *Government's assistance to small businesses*

43. Ms CHAN Yuen-han observed that although small businesses engaged in a diversity of trades thrived in the community, they were often driven out of business by rising rental. Ms CHAN criticized the Administration's inaction in this regard, and suggested that the Administration should make reference with past examples of successful bazaars in Hong Kong and abroad when preparing for measures to assist the small businesses.

44. USCED advised that the Administration attached great importance to the

diversified development of industries. Apart from the four pillar industries, the Administration also supported emerging industries, including placing much effort in promoting the development of creative industries.

45. Head of Create Hong Kong supplemented that the Administration accepted the recommendation of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under EDC that the fashion industry of Hong Kong enjoyed a competitive edge and should be further developed and promoted. The 2015-2016 Budget announced that the Government would consolidate the existing resources and invest new resources, totaling \$500 million, to launch a series of support measures in the next three years to promote Hong Kong's fashion industry, including the setting up of a resource centre and pattern-cutting facilities located at the Clothing Industry Training Authority, Kowloon Bay, to provide technical training and support for young and upcoming designers. Moreover, to showcase Hong Kong's up-and-coming fashion designers and emerging fashion brands, the Hong Kong Trade Development Council would organize the first edition of a major fashion trade fair CENTRESTAGE in September 2016. In addition, a large-scale fashion forum would also be organized to highlight Hong Kong and Asian brands in end-November 2016. In the 2<sup>nd</sup> quarter of 2017, a dedicated fashion incubation programme for emerging fashion designers would also be launched.

46. At 4:34 pm, the Chairman suspended the meeting to facilitate members' participation in a division of the Establishment Subcommittee meeting being held concurrently. The meeting resumed at 4:41 pm.

#### *Implementation of government policies*

47. Ms CHAN Yuen-han criticized that the measures implemented by the Government to stimulate the economy were not effective enough, and hence limited the effects of its measures. Ms CHAN cited the Food Truck Pilot Scheme as an example and criticized the Administration for restricting it as a tourism initiative, rather than broadening its scope to target the local community. Mr Charles MOK also commented that in the case of developing financial technology, when compared to neighbouring economies, such as Singapore, Hong Kong was rigid and conservative in implementing measures to facilitate the growth of businesses, less willing to promote and develop new industries, and slow to respond to market trends.

48. USCED advised that apart from the four pillar industries, the Administration also attached importance to the development of financial technology and the Financial Services and Treasury Bureau was following up on the development of the sector.

49. In order to better coordinate the efforts of promoting the diversified development of industries, Ms CHAN Yuen-han urged the Administration to set up a new bureau to be responsible for the overall implementation and monitoring of government policies in the development of all key industries, especially the nurturing of small businesses. USCED noted Ms CHAN's suggestion.

## **VII. Proposal for Professional Services Advancement Support Scheme**

(LC Paper No. CB(1)1045/15-16(10) -- Administration's paper on "Proposed setting up of the Professional Services Advancement Support Scheme")

### Presentation by the Administration

50. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) ("PSCIT") briefed members on the Administration's proposal to set up the Professional Services Advancement Support Scheme ("PASS") to provide funding support for non-profit-making projects aiming at increasing the exchanges and cooperation of Hong Kong's professional services with their counterparts in external markets and promoting relevant publicity activities, as well as enhancing their standards and external competitiveness. Details of PASS were set out in the Administration's paper (LC Paper No. CB(1)1045/15-16(10)).

51. PSCIT advised that subject to members' support for the setting up of PASS, the Administration would seek funding approval from the Finance Committee ("FC") in July 2016. Subject to FC's approval and in view of the necessary preparatory work for the introduction of PASS, the Administration planned to launch PASS and start inviting applications in the fourth quarter of 2016.

### Discussion

52. 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.

### *Funding arrangement*

53. Mr Charles MOK noted that PASS was built on the foundation of the Professional Services Development Assistance Scheme ("PSDAS") which was completed by end 2015. He welcomed the Administration's enhancements made to the past PSDAS arrangements in devising PASS, including increasing the

funding cap to \$3 million or 90% of project cost, whichever was lower, so as to encourage more participating organizations (especially those with lesser experience and means).

*Eligible professional services*

54. Mr Charles MOK said that information technology ("IT") played an important role in Hong Kong's overall economic development. In recent years, the Administration had been actively promoting the development of financial technologies, including cybersecurity and data security. Mr MOK supported the setting up of PASS to provide funding support for projects which seek to enhance the standards and external competitiveness of the IT sector in Hong Kong. He noted that in the list of professional services eligible for funding under PASS (Enclosure 1 to the Administration's paper), "information technology consultancy / system integration services" was classified under the category of "Others". He suggested that the Administration should revise the classification to cover various areas of IT services and reflect the importance of the IT sector appropriately. The Vetting Committee of PASS should also include professionals from the IT sector.

55. PSCIT took note of Mr Charles MOK's view and suggestion. He supplemented that the Administration would continue to reach out to major professional bodies and other stakeholders to exchange views on the implementation of PASS. The Administration planned to review the cost-effectiveness, funding principles and modus operandi of PASS two years after its implementation.

*Summing up*

56. The Chairman concluded that the Panel supported in principle the setting up of PASS and agreed that the funding proposal be put forward to FC for approval. The Administration was requested to revise the classification of professional services eligible for funding under PASS as suggested by Mr Charles MOK in the Administration's paper to FC.

**VIII. Any other business**

57. The Chairman said that this was the last Panel meeting of this term of the Legislative Council and he thanked members and the Administration for their support and contributions.

58. There being no other business, the meeting ended at 5:07 pm.

Council Business Division 1  
Legislative Council Secretariat  
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