

立法會
Legislative Council

LC Paper No. CB(1)1382/16-17
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 20 June 2017, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon WU Chi-wai, MH (Chairman)
Hon SHIU Ka-fai (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon CHAN Kin-por, BBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon CHUNG Kwok-pan
Hon CHU Hoi-dick
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHAN Chun-ying
Dr Hon YIU Chung-yim

Members absent : Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Elizabeth QUAT, JP
Hon Jimmy NG Wing-ka, JP
Hon Tanya CHAN
Hon LAU Kwok-fan, MH

[According to the Judgment of the Court of First Instance of the High Court on 14 July 2017, LEUNG Kwok-hung, Nathan LAW Kwun-chung, YIU Chung-yim and LAU Siu-lai have been disqualified from assuming the office of a member of the Legislative Council, and have vacated the same since 12 October 2016, and are not entitled to act as a member of the Legislative Council.]

Public officers attending : Agenda item IV

Ms Annie CHOI, JP
Commissioner for Innovation and Technology

Mr Johann WONG, JP
Deputy Commissioner for Innovation and Technology

Mrs Mille NG
Deputy Secretary for Innovation and Technology

Agenda Item V

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

Ms Vivian SUM, JP
Deputy Secretary for Commerce and Economic Development (Commerce and Industry)¹

Mr Stephen PHILLIPS
Director-General of Investment Promotion
Invest Hong Kong

Mr Francis HO
Associate Director-General of Investment Promotion 3
Invest Hong Kong

Attendance by invitation : Agenda item IV

Dr Frank TONG
Chief Executive Officer
Hong Kong Applied Science and Technology Research Institute

Mr Daniel YU
Chief Executive Officer
Nano and Advanced Materials Institute

Mr Simon WONG
Chief Executive Officer
Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies

Mr Edwin KEH
Chief Executive Officer
Hong Kong Research Institutes of Textiles and
Apparel

Mr Derek LOUIE
General Manager
(Automotive and Electronics Division, Automotive
Parts and Accessory Systems R&D Centre)
Hong Kong Productivity Council

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

Staff in attendance : Mr Joey LO
Senior Council Secretary (1)8

Miss Judy YEE
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Miss Zoe YIP
Clerical Assistant (1)3

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1145/16-17 -- Minutes of meeting held on
18 April 2017)

The minutes of the meeting held on 18 April 2017 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)1000/16-17(01) -- Booklet entitled "Progress Made by
the Current-term Government on
Mainland Co-operation
2012-2017" published by the
Constitutional and Mainland
Affairs Bureau

LC Paper No. CB(1)1053/16-17(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 September to 30 November 2016

LC Paper No. CB(2)1657/16-17(01) -- Report on S Rajaratnam School of International Studies and the World Trade Organization Parliamentarian Workshop 2017 held in Singapore from 15 to 17 May 2017 provided by Dr Hon YIU Chung-yim)
(*English version only*)
(*issued on 16 June 2017*)

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

3. At the invitation of the Chairman, Dr YIU Chung-yim briefed members on the observations and recommendations of his Report on S Rajaratnam School of International Studies and the World Trade Organization Parliamentarian Workshop 2017 held in Singapore from 15 to 17 May 2017. As agreed at the meeting, the Secretariat undertook to refer to the Administration the following recommendations of Dr YIU's Report for response:

- (a) to advise the Panel of the updated status of the negotiations in relation to the Doha Development Agenda relevant to Hong Kong; and
- (b) in respect of an informal paper co-sponsored by Hong Kong to the Committee on Trade and Development of the World Trade Organization for the meeting on 14 March 2017, to advise the Panel of the result of the meeting and the role of e-commerce in fostering development and the progress of any facilitating policies on e-commerce in Hong Kong.

(*Post-meeting note:* The information provided by the Administration was circulated to members vide LC Paper No. CB(1)1312/16-17(01) issued on 14 July 2017.)

Overseas duty visit to Israel

4. Members were briefed on the progress of the duty visit to Israel from 22 to 28 July 2017. Members noted that the House Committee at its meeting on 16 June 2017 approved the Panel's proposal to undertake the said duty visit to Israel to study the country's experience in promoting the development of innovation and technology ("I&T") and re-industrialization. The delegation would comprise eight Panel members and three Non-Panel Members. Two

officers of the Innovation and Technology Commission would join the visit to advise the delegation on issues relating to the development of I&T industry.

5. In response to Mr Charles Peter MOK's enquiry about the details of the visit programme, the Chairman said that the visit programme would be circulated to members once available.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1144/16-17(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1144/16-17(02) -- List of follow-up actions)

6. Members noted that the next regular Panel meeting would be held on 18 July 2017 at 2:30 pm to discuss the following items proposed by the Administration –

- (a) Development of InnoCell; and
- (b) Trade relations between the Mainland and Hong Kong.

IV. Progress report on Research and Development Centres for 2016-2017

(LC Paper No. CB(1)1144/16-17(03) -- Administration's paper on "Progress Report on Research & Development Centres for 2016-17"

LC Paper No. CB(1)1144/16-17(04) -- Paper on the Research and Development Centres set up under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

7. At the invitation of the Chairman, Commissioner for Innovation and Technology ("CIT"), with the aid of a video presentation, briefed members on the operation of the five Research and Development ("R&D") Centres under the purview of the Innovation and Technology Commission ("ITC") in 2016-2017. Details were set out in the Administration's paper (LC Paper No.

CB(1)1144/16-17(03)).

Discussion

Government support

8. Noting that there were cases where some companies which had conducted collaborative projects with the R&D Centres had difficulty in promoting the use of R&D results in the public sector, Mr Charles Peter MOK was of the view that more policy support and other relevant assistance should be rendered to the R&D Centres and their partner companies to facilitate R&D Centres to foster wider application of R&D results in different sectors. Mr MOK also said that the coordination between the relevant Government departments should be enhanced to provide ample assistance to R&D Centres.

9. CIT advised that R&D Centres had been promoting the adoption of local technology products and services through the Public Sector Trial Scheme ("PSTS") under the Innovation and Technology Fund ("ITF"). Under PSTS, funding support was provided for the production of prototypes/samples and conducting trials in the public sector to facilitate and promote the realization and commercialization of R&D results under ITF projects. Government departments and subvented organizations had, in the past few years, been testing the application of various R&D results through PSTS. In addition, the Innovation and Technology Bureau launched the \$500 million Innovation and Technology Fund for Better Living to encourage and fund the use of I&T in projects that would bring more convenience, comfort and safety to daily living, or address the needs of specific community groups.

Operating expenditure

10. Noting that investment in R&D was important in increasing the competitiveness of Hong Kong in the international arena, Mr CHAN Chun-ying enquired about the reasons for the decrease in the operating expenditure of the R&D Centre for Information and Communications Technologies under the Hong Kong Applied Science and Technology Research Institute ("ASTRI") and the Nano and Advanced Materials Institute ("NAMI") in 2016-2017.

11. CIT explained that the decreases in the operating expenditure of ASTRI and NAMI in 2016-2017 were minimal in percentage terms and the reason for such decreases was mainly because of the transitional changes in staff costs caused by natural wastage. In general, the operating expenditure of the R&D Centres had remained stable.

Level of industry contribution

12. Noting that the level of industry contribution was an important indicator of industry support in the work of the R&D Centres, Mr CHAN Chun-ying expressed concern about the decreasing level of industry contribution of all the R&D Centres except NAMI in 2016-2017. In this regard, the Chairman said that ITC should explain the rationale for setting the target for the new performance indicator in respect of the income received from industry at 30% from 2017-2018 onwards.

13. CIT explained that the changes in the level of industry contribution of ASTRI and the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies in 2016-2017 were minimal. NAMI had a higher level of industry contribution in 2016-2017 mainly because it had initiated a number of market-driven collaborative research projects. Automotive Parts and Accessory Systems R&D Centre ("APAS") had lower levels of industry contributions because it had commenced more seed projects for which no industry contribution was required. CIT added that the performance of R&D Centres was not necessarily reflected solely by the level of industry contribution. The Administration would include a number of new performance indicators in its subsequent annual reports to the Panel to cover their performance in other areas. An indicator on the "level of income received from the industry" would replace the "level of industry contribution", and would cover not only sponsorship from the industry for R&D projects, but also income arising from licensing/royalty and contract services, and other income. The target for this indicator would be set at 30% from 2017-2018 onwards, which was considered ambitious yet realistic.

14. Dr CHIANG Lai-wan enquired about the reasons for the lack of industry contribution for seed projects. CIT advised that seed projects were more forward-looking and exploratory in nature, which aimed to lay down the foundation work for future platform/collaborative projects. CIT added that while seed projects required no industry contribution, ITC would welcome contributions from the industry, venture fund and angel investors for these projects, as seed projects were vital for building up the R&D Centres' research capabilities.

Development directions of the R&D Centres

15. Mr YIU Si-wing suggested that the Administration should strengthen the promotion of commercialization of R&D results of the R&D Centres in the cities of the Pearl River Delta ("PRD") and Guangdong-Hong Kong-Macao Greater Bay Area ("Bay Area"), and the neighbouring cities of Southeast Asia. Mr YIU also urged the Administration to identify R&D opportunities in the Bay Area for the advancement of I&T. Mr Jeffrey LAM shared a similar view.

16. CIT advised that R&D results which were commercialization by local

enterprises were not necessarily confined to the local market, and the technology concerned could also be transferred to non-local enterprises. For example, under a global collaboration agreement on innovative industrial solutions between the Hong Kong Research Institute of Textiles and Apparel and a renowned international fashion brand, the development of an advanced polymerization process was underway to enhance the fundamental properties of polymeric materials and facilitate the melt spinning process. CIT considered that collaboration with enterprises in PRD and the Bay Area would no doubt increase the opportunity for the commercialization of their R&D results. The R&D Centres would explore opportunities for collaboration with companies and organizations in these regions for promoting applied research and driving the commercialization of R&D results.

Commercialization of R&D results

17. 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 considered that the new performance indicators as proposed for assessing the performance of R&D Centres would allow the public to better understand the work of the individual R&D Centres. Noting that the number of patents filed would be one of the performance indicators for assessing the performance of R&D Centres, Ir Dr LO enquired about the respective number of patents filed by the five R&D Centres.

18. Chief Executive Officer, ASTRI advised that since its inception, ASTRI had filed about 1 000 patent applications worldwide. To date, more than 700 patents had been granted to ASTRI, among which about half of the patents were filed in the Mainland and half in the United States. In 2015, ASTRI collaborated with Hong Kong Polytechnic University, Hong Kong Baptist University and Hong Kong Productivity Council to form an intellectual property pool of information and communication technology patents to enhance the value of the patents and strengthen the support for the industry. At Ir Dr LO's request, the Administration undertook to provide information on the respective number of patents filed by the five R&D Centres in 2015-2016 and 2016-2017.

Admin

19. Mr WONG Ting-kwong enquired about the promotion effort for the deliverables of the R&D Centres as he was hardly aware of promotion in the media for such deliverables, such as chargers for electric vehicles ("EVs"). CIT advised that one prominent example of the R&D deliverables marketed locally was a breathable and bacteria-killing facemask arising from a collaborative project which had been successfully commercialized and was available for sale in local pharmacies. Other widely used R&D deliverables involved the use of radio-frequency identification technology by the Airport Authority Hong Kong and Hongkong Post for self-check-in luggage and convenient parcel collection

respectively.

20. General Manager, Automotive and Electronics Division, APAS, Hong Kong Productivity Council advised that in view of insufficient fast charging stations for EVs, APAS had developed a mobile smart charger for EVs, which offered flexible and fast charging solutions where EV charging stations were not available. Following the technology trend of the industry, APAS was currently developing a medium wireless EV charger with magnetic flux leakage protection to ensure safe operation. To help the industry tap the Mainland market, APAS also developed EV chargers which conformed with the Mainland standard (Guobiao).

Admin 21. At the request of Dr YIU Chung-yim, the Administration undertook to provide information on the details of the mechanism and criteria for vetting and approving R&D projects proposed by R&D Centres, monitoring of the approved projects and the post-project evaluation.

Nurturing of talents

22. Mr Jeffrey LAM enquired whether any studies had been conducted on the supply of local talents for the R&D industry, and what measures were in place to ensure the steady supply of talents in areas such as financial technology ("FinTech") to cope with the development needs of the cities in PRD and the Bay Area.

23. CIT advised that the Administration attached great importance to the nurturing of talents for the R&D industry. In this regard, the Internship Programme under the ITF aimed to encourage university graduates to pursue a career in I&T and nurture more I&T talents. To step up efforts in supporting private sector investment in R&D and nurturing more I&T talents, the ITF Internship Programme had been extended to cover incubatees and SME tenants of the HKSTPC and Cyberport. About 70% of the interns would eventually pursue a career in I&T. Chief Executive Officer, ASTRI added that in order to support the development of FinTech in Hong Kong, ASTRI and the Hong Kong Monetary Authority ("HKMA") jointly launched the FinTech Career Accelerator Scheme in December 2016, through which banks and HKMA would offer FinTech-related internships for university students.

Summing-up

Admin 24. The Chairman relayed the view of members that the Administration should include, in its next and subsequent annual reports to the Panel, information on the R&D Centres' performance, such as the number of R&D projects involving industry participation, number of companies participating in the R&D projects,

number of organizations benefitting from PSTS, number of interns engaged, and number of patents filed, etc.

V. Promotion of inward investment

(LC Paper No. CB(1)1144/16-17(05) -- Administration's paper on "Promotion of Inward Investment"

LC Paper No. CB(1)1144/16-17(06) -- Paper on promotion of inward investment prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

25. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) ("PSCIT") gave members an outline of the work of Invest Hong Kong ("InvestHK") in 2016 and its work plan for 2017-2018. Director-General of Investment Promotion ("DGIP") then briefed members on the investment promotion work and major achievements of InvestHK in 2016 and the way forward for 2017-2018.

Discussion

Support services

26. Noting that some companies which had set up their business operations in Hong Kong, such as Uber and GoBee Bike, had encountered problems relating to legal and operational issues, Dr CHIANG Lai-wan queried whether InvestHK or other Government departments had provided adequate support services to the target companies, particularly in assisting these companies to comprehend the relevant laws, rules and regulations governing the mode of operation of the relevant business sectors. Sharing a similar view, Mr Charles Peter MOK pointed out that, in comparison with InvestHK, the Singaporean authorities had taken a much more proactive and comprehensive approach in offering support services to the target companies. Mr MOK opined that InvestHK should be more proactive in providing all-round assistance to the companies setting up their business operations in Hong Kong.

27. PSCIT advised that InvestHK had been offering proactive, one-to-one support services to such companies (including target companies of InvestHK and companies which approached InvestHK) throughout their planning and implementation process to invest in Hong Kong. At the initial planning stage,

InvestHK would provide companies with information and advice on Hong Kong's regulatory regime and business environment. DGIP added that InvestHK maintained regular liaison with Government departments to keep them abreast of the changing dynamics in the business environment. Nevertheless, it was the ultimate responsibility of the companies to clarify any legal issues associated with their operations. InvestHK would advise them to seek legal advice where appropriate.

Collaboration with relevant organizations

28. Mr Martin LIAO noted that the HKMA formed the Infrastructure Financing Facilitation Office ("IFFO") to facilitate infrastructure investments and their financing in July 2016, and invited organizations such as institutional investors, financial institutions and banks from the Mainland, Hong Kong and overseas to join IFFO as partners. Mr LIAO enquired how InvestHK would collaborate with HKMA and IFFO to help Mainland and foreign businesses make their investment decisions.

29. Associate Director-General of Investment Promotion 3 ("ADGIP3") advised that InvestHK worked closely with HKMA to reach out to Mainland and foreign businesses. For example, InvestHK co-organized with HKMA seminars on the Belt and Road Initiative in October 2016 and April 2017 to promote Hong Kong as an ideal platform for managing corporate treasury activities and for Mainland enterprises to "go global". The seminars covered the challenges Chinese enterprises would face when undertaking overseas mergers and acquisitions under the Belt and Road Initiative, and how they could make use of Hong Kong's advantages as an international financial and commercial centre to overcome these challenges and expand business overseas.

Promoting Hong Kong as a hub for offshore renminbi business and FinTech

30. Mr CHAN Chun-ying enquired how InvestHK would promote Hong Kong as a leading offshore renminbi ("RMB") business hub, and how it would promote Hong Kong as Asia's FinTech hub in the face of keen competition from Singapore.

31. PSCIT advised that promoting Hong Kong's role as an offshore RMB centre had been an integral part and recurrent theme in InvestHK's promotional efforts to both Mainland and overseas target companies. DGIP added that, on the FinTech front, a dedicated FinTech team was set up in September 2016 in InvestHK to appeal to overseas and Mainland FinTech enterprises, investors as well as research and development institutions to establish a presence in Hong Kong. To showcase Hong Kong's unique advantages in developing FinTech, the first FinTech Week was held in Hong Kong in November 2016. Moreover, the Administration had been actively exploring the potential of applying new

technologies, including artificial intelligence, blockchain and Insurance Technology, etc., in financial services. ADGIP3 further advised that, riding on the success of the first FinTech Week, InvestHK was organizing the second FinTech Week from 23 to 27 October 2017 to attract FinTech companies to Hong Kong.

Projects completed and jobs created

32. Noting that in 2016, InvestHK completed a record number of 391 projects, Mr MA Fung-kwok enquired about the definition of a "completed project". ADGIP3 advised that a "completed" project was one where an overseas, Mainland or Taiwan company had established a presence or undergone a significant expansion in Hong Kong with the assistance of InvestHK. It did not include companies set up in Hong Kong without InvestHK's assistance.

33. Mr MA Fung-kwok enquired about the number of companies in the creative industry among the 7 986 overseas, Mainland and Taiwan companies which had set up bases in Hong Kong. Mr MA also enquired about Hong Kong's situation in respect of inward investment by regional broadcasting companies.

34. ADGIP3 advised that around 2% of the total number of overseas, Mainland and Taiwan companies which had set up bases in Hong Kong were from publishing, media and multimedia sectors. InvestHK had also assisted in the past sports, arts and culture companies to set up in Hong Kong. Moreover, as a regional broadcasting hub, many international news/broadcasting agencies had set up/expanded their operational base in Hong Kong.

Admin 35. Mr YIU Si-wing requested the Administration to provide information on the number of jobs created, the amount of investment and income generated by each of the foreign investment projects assisted by InvestHK in the tourism and hospitality industry over the past three years, and the number of unsuccessful project applications during the period of time, together with the reasons for rejection.

Playing an active role in major initiatives

36. Ir Dr LO Wai-kwok enquired how InvestHK would position Hong Kong as an investment destination to capitalize on new business opportunities arising from major projects such as the Belt and Road Initiative and the Bay Area development.

37. PSCIT advised that Hong Kong, as a "super-connector", could act as a platform for Mainland companies to "go global" under the Belt and Road Initiative, for instance in terms of financing infrastructure projects along the Belt and Road, working closely with the Asian Infrastructure Investment Bank. Moreover, Hong

Kong could serve as a springboard for overseas companies to tap the Bay Area market. DGIP added that as more companies from the overseas countries and the Mainland would come to invest in the Belt and Road countries and regions, Hong Kong could provide comprehensive financial and professional services, such as logistics, e-commerce to these companies.

Priority sectors

38. Noting that InvestHK would continue to adopt a sector-focused approach in attracting overseas, Mainland and Taiwan companies in priority sectors to invest in Hong Kong, Mr Martin LIAO enquired how the priority sectors for each year were selected. Mr WONG Ting-kwong opined that InvestHK should also focus effort on attracting foreign investment to tap the ever-expanding global e-commerce market.

39. PSCIT said that the priority sectors were selected for the distinct competitive edge and development potential which Hong Kong possessed, taking into account the policy objectives of the Government as well as the latest global business trends. DGIP further advised that in line with the policy initiatives of the Government and global trends, current priority sectors included FinTech, corporate treasury centres and aircraft leasing. ADGIP3 added that e-commerce would continue to be one of the sectors on which particular emphasis would be placed. According to InvestHK's annual survey on startups, the number of startups in the e-commerce, supply chain management and logistics technology in Hong Kong had increased from 142 in 2015 to nearly 250 in mid-2016. Apart from being a major market for e-commerce, Hong Kong also served as a platform for e-commerce enterprises and startups from the Mainland and overseas to connect with potential buyers and suppliers.

Results of InvestHK's work

40. Dr YIU Chung-yim expressed doubts about the accuracy of InvestHK's statistics on the jobs created as a result of investment projects completed by InvestHK. Noting that according to InvestHK's statistics, the number of jobs created continued to increase in 2008-2009 amidst the global economic downturn, Dr YIU enquired whether InvestHK had compiled statistics on the number of jobs which were subsequently cut due to termination/completion of such investment projects. Mr YIU Si-wing enquired whether the figures on the amount of investment included reinvestment by the companies concerned.

41. ADGIP3 advised that the statistics on investment amount and jobs created within the first year of operation of the companies assisted by InvestHK were reported by the companies upon project completion. The Chairman said that the accuracy of such figures could not be verified.

42. DGIP added that figures on investment and reinvestment were often considered sensitive information by the companies concerned, which might not be so forthcoming in providing such information. That said, the number of jobs created by these companies was only part of the overall workforce of Hong Kong, and the year-on-year variations in the number of jobs created were a result of many different factors, including the growth in the sectors concerned in which the project took place (certain sectors such as hotels and tourism could create more jobs than others) and the mix of investment projects in a given year.

43. ADGIP3 further advised that, in order to follow up with companies that InvestHK had assisted in setting up or expanding in Hong Kong, InvestHK would survey the companies concerned at regular intervals, i.e. within 12-18 months and 30-36 months of operation. In 2016, InvestHK contacted 616 companies from the 1 067 projects completed by InvestHK between 2013 and 2015. Among the 616 contacted, 538 projects (close to 90%) were still in operation. The total number of staff employed by these companies at the time of contact was 9 980, which was more than the total number of staff employed by these companies upon their establishment in Hong Kong.

Summing-up

Admin

44. The Chairman urged the Administration to facilitate closer coordination among Government departments and provide more proactive support to companies setting up business operations in Hong Kong, particularly in the face of keen competition from neighbouring countries such as Singapore. In this regard, the Administration was requested to include in its next annual report or a progress report work directions for InvestHK to strengthen its role in providing ongoing support services (such as advice on and assistance in compliance with all the relevant legislation and regulations and liaison with other Government departments to help apply for necessary licences, etc.) to companies which were keen to set up or expand their businesses in Hong Kong.

VI. Any other business

45. There being no other business, the meeting ended at 4:32 pm.