

**立法會**  
***Legislative Council***

LC Paper No. CB(1)1098/17-18

(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI

**Panel on Commerce and Industry**

**Minutes of meeting  
held on Tuesday, 20 March 2018, at 2:30 pm  
in Conference Room 1 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 YIU Si-wing, BBS  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Dr Hon CHIANG Lai-wan, JP  
Ir Dr Hon LO Wai-ki, SBS, MH, JP  
Hon CHUNG Kwok-pan  
Hon CHU Hoi-dick  
Hon CHAN Chun-ying  
Hon Tanya CHAN  
Hon LAU Kwok-fan, MH
- Members absent** : Hon WONG Ting-ki, GBS, JP  
Hon Mrs Regina IP LAU Suk-yee, GBS, JP  
Hon MA Fung-ki, SBS, JP  
Hon Martin LIAO Cheung-kong, SBS, JP  
Hon Jimmy NG Wing-ka, JP

**Public officers attending** : Agenda Item IV

Dr Bernard CHAN  
Acting Secretary for Commerce and Economic Development

Miss Erica NG  
Deputy Secretary for Commerce and Economic Development (Commerce and Industry) 3

Ms Belinda WONG  
Acting Deputy Director-General of Trade and Industry (Bilateral Trade, Controls & Industries Support)

Agenda Item V

Dr David CHUNG, JP  
Under Secretary for Innovation and Technology

Ms Annie CHOI, JP  
Commissioner for Innovation and Technology

Mr Ivan LEE, JP  
Deputy Commissioner for Innovation and Technology

Mr Bryan HA  
Assistant Commissioner for Innovation and Technology

Mr Ricky CHONG  
Principal Assistant Secretary for Innovation and Technology

**Attendance by invitation** : Agenda Item IV

Mr Colin POU  
Senior Vice President (Operations)  
The Hong Kong Mortgage Corporation Limited

Ms Irene MOK  
Vice President (Operations)  
The Hong Kong Mortgage Corporation Limited

Federation of Hong Kong Industries

Dr Daniel YIP  
Deputy Chairman

Nam Pak Hong Association

Mr Michael LI Chi-fung  
Head of Youth Committee

Individual

Mr FOK Lap-lai

League of Social Democrats

Mr NG Man-yuen  
Chairman

The Hong Kong Chinese Importers' and Exporters' Association

Mr Tony PANG Chor-fu  
Vice Honorary Secretary

Hong Kong Small and Medium Enterprises Association

Mr CHONG Yiu-kan  
First Vice Chairman

The Hong Kong General Chamber of Small and Medium Business

Mr Joe CHAU  
President

The Cosmetic & Perfumery Association of Hong Kong

Mr CHOI Ho-sang  
Councillor

Hong Kong Apparel Machinery Association

Mr Peter KAM  
Director

The Chinese Manufacturers' Association of Hong Kong

Dr Kevin LAU Kin-wah  
Executive Committee Member cum Chairman of  
Small and Medium Standing Enterprises Standing  
Committee

Hong Kong General Chamber of Commerce

Mr Roy NG  
Chairman, Small & Medium Enterprises Committee

Hong Kong Wine Chamber

Mr Kelvin YAU Wan-lung  
Council Member

Liberal Party Youth Committee

Mr CHEUNG King-fan  
Chief

Liberal Party

Miss LAU Yi-lok  
Vice Chief

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

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

Mr Terence LAM  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)3

Miss Zoe YIP  
Clerical Assistant (1)3

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Action

**I. Confirmation of minutes of meeting**

(LC Paper No. CB(1)685/17-18 -- Minutes of meeting held on 16 January 2018)

The minutes of the meeting held on 16 January 2018 were confirmed.

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

2. Members noted that no paper was issued since the last meeting.

**III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)684/17-18(01) -- List of outstanding items for discussion

LC Paper No. CB(1)684/17-18(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 10 April 2018 at 4:30 pm to discuss the following items proposed by the Administration –

- (a) Proposed amendment to the Import and Export (Registration) Regulations (Cap. 60E) for setting a cap on import and export declaration charges; and
- (b) United Nations Sanctions (Amendment) Bill 2018.

**IV. Progress of the implementation of the Dedicated Fund on Branding, Upgrading and Domestic Sales and enhancement of the various SME funding schemes**

(LC Paper No. CB(1)684/17-18(03) -- Administration's paper on "Progress of the implementation and proposed enhancements of the Dedicated Fund on Branding, Upgrading and Domestic Sales

and other funding schemes"

- LC Paper No. CB(1)684/17-18(04) -- Paper on support measures for small and medium enterprises prepared by the Legislative Council Secretariat (updated background brief)
- LC Paper No. CB(1)707/17-18(01) -- Administration's paper on "Progress of the implementation and proposed enhancements of the Dedicated Fund on Branding, Upgrading and Domestic Sales and other funding schemes" (PowerPoint presentation material))  
*(Chinese version only, tabled at the meeting and subsequently issued on 20 March 2018)*

#### Meeting with deputations and the Administration

##### ***Submissions from deputations not attending the meeting***

- (LC Paper No. CB(1)684/17-18(10) -- Submission from The Chinese General Chamber of Commerce, Hong Kong (Chinese version only)
- LC Paper No. CB(1)701/17-18(01) -- Submission from Business starter project for the Visually Impaired (submission in braille, Chinese translated version only))

#### Briefing by the Administration

4. At the invitation of the Chairman, Acting Secretary for Commerce and Economic Development ("SCED(Atg)") briefed members on the implementation progress of the funding schemes operated by the Trade and Industry Department, the extension of the application period of Special Concessionary Measures under the SME Financing Guarantee Scheme ("SFGS") operated by The Hong Kong Mortgage Corporation Limited ("HKMC"), and the proposed injections of \$1.5 billion to the Dedicated Fund on Branding, Upgrading and Domestic Sales ("BUD Fund") and \$1 billion to the SME Export Marketing and Development Funds ("EMDF"), which would be renamed as "Export Marketing and Trade and Industrial Organisation Support Fund ("EMTSF"). Acting Deputy Director-General of Trade and Industry (Bilateral Trade, Controls & Industries Support) ("DDGTI(Atg)") then gave a PowerPoint presentation on the subject matter, details

of which were set out in the Administration's papers (LC Paper Nos. CB(1)684/17-18(03) and CB(1)707/17-18(01)).

#### Presentation of views by deputations

5. At the invitation of the Chairman, a total of 14 deputations/individuals presented their views on the various funding schemes. A summary of views of the deputations/individuals was in **Appendix**.

#### Consolidated response of the Administration to the views expressed by deputations/individuals

6. At the invitation of the Chairman, SCED(Atg) advised that the Administration had taken measures in the past three years to enhance the operation of various funding schemes. Taking the BUD Enterprise Support Programme ("ESP") as an example, the Administration had launched "ESP Easy – Simplified Application Track" in August 2015, "ESP: Simplified Option" in October 2016 and further simplified the relevant application procedure in September 2016. The application success rate of the ESP had increased after implementation of the measures. As an ongoing arrangement, the programme secretariat (i.e. the Hong Kong Productivity Council ("HKPC")) would meet with interested small and medium enterprises ("SMEs") and answer their questions in relation to application procedures. Sharing sessions were also organized for SMEs to share information on successful and unsuccessful applications so as to facilitate their better understanding on the requirements of successful applications. As regards the requirements on the filing of reports and submission of quotations by successful applicants, SCED(Atg) advised that the number of such reports and quotations required was reduced and the relevant vetting procedure was simplified.

7. As for the deputations' suggestion of extending the geographical scope of BUD Fund on a worldwide basis, SCED(Atg) advised that the geographical coverage of the BUD Fund was proposed to be expanded from the Mainland to include the ten countries of the Association of Southeast Asian Nations ("ASEAN"). The Administration would adopt a cautious approach in considering the further expansion of coverage of the BUD Fund while keeping in touch with SMEs for their feedback on the schemes. The Administration would strike a balance between the extent of assistance to be rendered to applicants to address their needs and the importance of prudent use of public resources. Meanwhile, the SME Export Marketing Fund ("EMF") already provided assistance to SMEs to expand any markets outside Hong Kong, including the markets in the Belt and Road countries. Moreover, the Trade and Industrial Organisation Support Fund ("TSF") to be formed by the merging of the SME Development Fund ("SDF") and the BUD Organisation Support Programme ("OSP") could also support promotional activities targeting overseas markets.

8. DDGTI(Atg) added that the Administration would implement further streamlining measures on the BUD Fund, including consolidating the various application tracks and application forms under the existing ESP to simplify the application procedures, so that enterprises would only need to submit a unified application form. The Administration also planned to simplify the requirements on procurement procedures by reducing the number of quotations required so as to help reduce the administrative costs of enterprises, provide greater flexibility and autonomy for enterprises in the reallocation of grants amongst approved budget items, and render full funding support on the audit fee of approved projects, which would be capped at \$10,000 per audit, to further reduce the costs of enterprises in using the BUD Fund.

### Discussion

#### *Trade and Industrial Organisation Support Fund and BUD Fund*

9. Mr CHAN Chun-ying supported the merging of SDF and BUD(OSP) into one scheme (i.e. TSF) to simplify application procedures and enhance operation efficiency. He enquired how the manpower responsible for vetting, approving and supporting the applications under TSF would be consolidated to enhance efficiency. Noting that a funding of \$18 million annually would be provided to HKPC for covering the staff and other operating costs of a dedicated team for programme management, administrative support and project monitoring, Mr CHAN further enquired about the projected increase in manpower for processing applications to be brought by the proposed funding, and suggested disbursing to HKPC the \$2.3 million related expenses in terms of professional manpower support to supervise, monitor and review the work of the secretariat, venue rentals and other ancillary technical and support services.

10. DDGTI(Atg) advised that with the merging of SDF and BUD(OSP) into TSF for better efficiency and identification, it was expected that the total number of applications would remain unchanged and therefore there would be no room for curtailment of the manpower required for processing applications. Currently, the vetting and approving procedure and workflow of SDF and BUD(OSP) was the same and the applications under the two schemes were handled by the same vetting committee. Nevertheless, under the unified TSF, resources for promotion could be consolidated to improve efficiency. She added that the funding of \$18 million annually to HKPC would cover the costs of about 19 staff members for the secretariat to implement the enhanced BUD(ESP).

11. Dr CHIANG Lai-wan said that the Democratic Alliance for the Betterment and Progress of Hong Kong supported the proposed financial proposals to enhance the operation of various funding schemes. She enquired about a ceiling on the number of times an organization allowed to apply for funding under TSF.



12. DDGTI(Atg) advised that under TSF, there was neither a ceiling on the number of approved projects for each non-profit-distributing organization, nor a ceiling on the number of times an organization was allowed to apply for funding. The maximum amount of funding support for each approved project would be 90% of the total approved project expenditure, capped at \$5 million. The original restriction of funding only two projects of the same nature under SDF would be removed to provide greater flexibility for organizations to carry out projects.

#### *SME Financing Guarantee Scheme*

13. Mr CHUNG Kwok-pan supported the proposed enhancement measures for the funding schemes. He enquired about the details of HKMC's plan to transfer the SFGS business to a newly established wholly-owned subsidiary of the HKMC, namely HKMC Insurance Limited ("HKMCI").

14. Senior Vice President (Operations), HKMC said that HKMC was now holding a general business authorization for operating general insurance business, including SFGS. To introduce the Life Annuity Scheme ("LAS") announced in April 2017, HKMC had to apply for a long term business authorization from the Insurance Authority. As insurance companies other than professional reinsurer were not allowed to operate these two businesses in parallel, HKMC had established two subsidiaries, one to apply for long term business authorization to operate the LAS business, the other (i.e. HKMCI) to apply for general business authorization for taking over from the HKMC all its existing general insurance business, including SFGS. HKMC was following up with the Administration on the necessary legal procedures to effect the proposed transfer on 1 May 2018.

#### *SME Export Marketing Fund*

15. Mr YIU Si-wing supported the funding proposals. Noting that under EMF launched in 2001, over 210 000 applications had been approved as of January 2018, involving a total grant of over \$3.2 billion and benefitting more than 46 000 SMEs, Mr YIU enquired whether the performance of EMF had met the Administration's original expectation. He also enquired if the Administration would proactively work with trade associations of the travel industry to promote the various funding schemes to SMEs.

16. SCED(Atg) advised that the number of applications under EMF fluctuated over time with the global economic cycle. Application numbers had dwindled during the 2007-2008 financial crisis due to the lack of incentives for investment, but had since risen as the global economy improved. The performance of EMF had met the Administration's expectation. The Administration adopted an open attitude towards collaboration with trade associations to promote EMF. At the Chairman's request, SCED(Atg) undertook to provide information on its effort so far in collaborating with industry organizations to actively promote the various

SME funding schemes to the various industries, in particular the travel industry.

*(Post-meeting note: The information provided by the Administration was circulated to members on 3 May 2018 (LC Paper No. CB(1)907/17-18(01)).*

#### *Other issues*

17. Mr Charles Peter MOK expressed support for the funding proposals to implement the proposed enhancement measures. He was of the view that government officials were often over-rigid in the vetting and approving of funding applications under various funding schemes administered by different government bureaux/departments for fear of criticisms from the Audit Commission for mismanagement of public resources.

18. The Deputy Chairman expressed support for the funding proposals and opined that apart from assisting SMEs in export promotion, the Administration should put more efforts and resources to help SMEs develop their brands locally so that they would have a solid domestic foundation to buttress their branding effort overseas. He also urged the Administration to follow up with the Hong Kong Monetary Authority on the difficulties faced by SMEs (particularly those SMEs with business operations in the Mainland and Belt and Road countries) in opening bank accounts, especially in major international banks.

19. Ir Dr LO Wai-kwok supported the injection of funding into BUD Fund and EMDF. He enquired about the Administration's efforts to assist SMEs in developing electronic commerce and online business. He urged the Administration to proactively assist SMEs in developing overseas markets.

20. SCED(Atg) advised that the scope of funding under relevant funding schemes had been extended to helping SMEs establish corporate websites and implement their export promotion activities through the electronic platforms and media. As regards the assistance rendered to SMEs for developing overseas markets, SCED was currently leading a delegation of investors and professional service providers from a wide spectrum of Hong Kong's businesses to visit Cambodia and Vietnam to expand and strengthen business networks with the two countries.

#### Summing up

21. The Chairman concluded that members were in support of the Administration's financial proposals, and urged the Administration to take note of members' views and suggestions and submit the financial proposals to the Finance Committee. In particular, the Administration was requested to provide information on the improvement measures to the existing application and vetting procedures for the various funding schemes, including: (i) simplifying the application procedure

and the information required in support of the application; (ii) shortening the vetting and approval time; and (iii) setting up a centralized frontline office to promote the funding schemes and provide a one-stop service to assist SMEs in submitting applications for the various schemes.

*(Post-meeting note: The Administration's response was issued to members on 3 May 2018 (LC Paper No. CB(1)907/17-18(01)).*

## **VI. Any other business**

22. The Chairman proposed and members agreed to alter the order of items and first discuss item VI, to be followed by discussion of item V.

### S Rajaratnam School of International Studies and the World Trade Organization Parliamentary Workshop on International Trade 2018

(LC Paper No. CB(1)684/17-18(07) -- Invitation from S Rajaratnam School of International Studies ("RSIS") inviting nominations of two Legislative Council Members to join RSIS and the World Trade Organization Parliamentary Workshop on International Trade 2018 to be held in Singapore from 7 to 9 May 2018 (Restricted to members only))

23. The Panel noted the invitation referred by the President of LegCo from the Centre for Multilateralism Studies of the S Rajaratnam School of International Studies ("RSIS") to LegCo for nomination of two Members to join the RSIS and World Trade Organization Parliamentary Workshop on International Trade 2018 ("the Workshop") to be held in Singapore from 7 to 9 May 2018. As the theme of the Workshop fell within the terms of reference of the Panel, members agreed to accept the invitation to nominate two Members to participate in the Workshop and to open the invitation to all other LegCo Members. It was also agreed that if more than two Members had indicated interest in joining the Workshop, a ballot would be conducted by the Panel Chairman for determining the two nominations for the workshop. Otherwise, Members would be informed of the nominations by circulation.

24. Members also noted that the nominations required the endorsement of the House Committee ("HC") and the expenses incurred by Members nominated to attend the Workshop would be charged to individual Members' overseas duty visit ("ODV") accounts. Participating Members were required to provide a report to HC

after their return to Hong Kong.

*(Post-meeting note: A circular (LC Paper No. CB(1)715/17-18) was issued to Panel members and copied to all other Members on 21 March 2018 inviting them for indication of interest to the Workshop. By the deadline for reply on 27 March 2018, Mr CHUNG Kwok-pan (Panel member) had indicated his interest in attending the Workshop. Members were informed vide LC Paper No. CB(1)741/17-18 issued on 28 March 2018 that subject to members' agreement, HC's approval for the nomination of Mr CHUNG to the Workshop and for the related expenses charged to the participating Members' ODV accounts would be sought at the HC meeting on 13 April 2018. The Secretariat had received no objection from Members to the above arrangement by the deadline for reply on 29 March 2018. Subsequently on 4 April 2018, Mr CHUNG extended his apology for not being able to attend the Workshop due to other important engagement at the relevant period. On the instruction of the Chairman, the organizer would be informed that no Member would participate in the Workshop.)*

#### **V. Injection into the Innovation and Technology Fund**

(LC Paper No. CB(1)684/17-18(05) -- Administration's paper on "Injection into the Innovation and Technology Fund"

LC Paper No. CB(1)684/17-18(06) -- Paper on the initiatives for promotion of innovation and technology under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief))

#### Presentation by the Administration

25. At the invitation of the Chairman, Under Secretary for Innovation and Technology briefed members on the proposed injection into the Innovation and Technology Fund ("ITF"), details of which were set out in the Administration's paper (LC Paper No. CB(1)684/17-18(05)).

#### Discussion

##### *Nurturing Technology talent*

26. Mr CHAN Chun-ying opined that the effort to nurture innovation and technology ("I&T") talent was equally important as the provision of funds for I&T development in Hong Kong. Noting that some 70% of the 3 000 interns supported

under the Internship Programme indicated that they would pursue a career in I&T-related areas, Mr CHAN enquired whether the Administration had carried out any follow-up survey of the interns' career path to understand whether they had eventually pursued an I&T-related career.

27. Commissioner for Innovation and Technology ("CIT") advised that the interns would be surveyed on their career plans at the end of internship. The Administration noted Mr CHAN Chun-ying's view and would consider the feasibility of undertaking follow-up surveys by cost-effective means. Nevertheless, according to the survey findings of the Census and Statistics Department ("C&SD"), I&T manpower had been growing steadily over the years, which reflected that the Administration's efforts in nurturing more I&T talent had been effective. The Administration would continue its efforts to nurture and bring together more technology talent.

28. In respect of the two programmes to be implemented under the proposed five-year pilot Technology Talent Scheme ("TTS"), namely the Postdoctoral Hub Programme ("PHP") and the Reindustrialisation and Technology Training Programme ("RTTP"), Mr CHAN Chun-ying enquired whether funding quota would be set for PHP and RTTP so as to avoid competition for funding between the two programmes, and the respective proportions of the proposed \$500 million set aside for TTS to be allocated to PHP and RTTP. Mr CHAN also enquired about the reasons for requiring the Vocational Training Council ("VTC") to shoulder \$6.1 million out of the total cost of \$17.7 million for implementing RTTP.

29. CIT advised that as it was the Administration's intention to support the recruitment and retention of as many postdoctoral talents as possible to undertake research and development ("R&D") work in Hong Kong, no funding quota would be set for PHP/RTTP to allow flexibility. CIT added that VTC was currently running a New Technology Training Scheme ("NTTS") which would be wound down upon the launch of RTTP. VTC had agreed to collaborate with ITF to administer RTTP by redeploying existing resources from NTTS to RTTP.

#### *Vetting and approval procedure of funding schemes under ITF*

30. Mr Charles Peter MOK supported in principle the Administration's funding proposal for ITF. He also relayed the following long-standing concerns from the academia over the vetting and approval procedure for various funding schemes under ITF, which included:

- (a) Government officials did not have sufficient experience in R&D in conducting preliminary screening of funding applications;
- (b) some members of the Innovation and Technology Fund Research Projects Assessment Panel were too subjective and critical, and there

were suspected cases that some members of the assessment panel might have possible conflicts of interest;

- (c) no reasons for rejection were given for unsuccessful applications, and insufficient reviews were undertaken on approved projects; and
- (d) in respect of the Technology Voucher Programme ("TVP"), applicants were concerned about the long application processing time, lack of flexibility, as well as the complicated application procedure which might only benefit the consultancy firms providing services in preparing applications. Applicants were also concerned about the procurement procedures for TVP in which they were required to obtain price quotations from more than one supplier for selection.

Mr MOK urged the Administration to respond to the academia's concerns and propose improvement measures to enhance the vetting and approval procedure for the various funding schemes under ITF.

31. CIT advised that a peer review approach (where applications concerning different I&T areas would undergo external peer reviews by experts of the respective I&T areas) had been adopted in vetting ITF applications. The Innovation and Technology Commission ("ITC") would endeavor to enlist as many experts as possible to conduct the peer reviews on applications to ensure a more balanced view on selection of successful projects. Meanwhile, general explanations had been given to applicants of unsuccessful projects in recent years. CIT pointed out that a number of enhancement measures had been taken to streamline and optimize the application procedures of the funding schemes. For example, samples of completed application forms were available on the website for reference by applicant enterprises. CIT added that as regards TVP, there was no requirement for the applicants to engage consultants for submitting applications. In respect of procurement procedures, CIT explained that there was a genuine need for obtaining more than one quotation for selection of supplier having regard to the advice of the Independent Commission Against Corruption and the Competition Commission. Nonetheless, quotations from two suppliers would suffice for expenditure items of lower value. In order to speed up the vetting process, TVP Committee meetings had been conducted at more frequent intervals, and applications might be considered in meetings or by circulation of papers as and when appropriate. The shortest processing time of an application was 14 working days.

32. Mr CHUNG Kwok-pan expressed support for the funding injection into ITF to continue its work of promoting I&T development in Hong Kong. He noted that owing to the long processing time of applications for the subsequent phase of a project, R&D professionals engaged in the project concerned were often left idle in the time between the completion of the previous phase and the commencement of

the next phase of a project. In this connection, Mr CHUNG suggested that the Administration should consider allowing applicants to submit funding applications for the next phase of a project before the end of the existing phase, so as to achieve seamless transition from one phase to the next and avoid idling of R&D manpower. He added that the suggestion could first be adopted for implementation in funding schemes run by local universities and the R&D Centres.

33. CIT said that the Administration would consider Mr CHUNG's suggestion and agreed that it would be easier for the suggestion to be first implemented in funding schemes run by the R&D Centres established under ITF.

#### *Commercialization of R&D results*

34. Dr CHIANG Lai-wan expressed concern about the Administration's lack of effective policies to support commercialization of R&D outcomes. CIT said that the Administration attached great importance to the commercialization of R&D outcomes, and had adopted various measures to expand the scope of ITF to provide support in this regard. Many of the funded projects had been commercialized or spun off into technology businesses. One of the indicators of the performance of R&D Centres in commercialization of R&D results was the "level of income received from the industry" (covering sponsorship from the industry for R&D projects, income arising from licensing/royalty and contract services and other income). To further promote commercialization of R&D results, the target for this indicator was set at 30% from 2017-2018 onwards. The Administration would brief the Panel in June 2018 on the operation of the R&D Centres in 2017-2018.

#### *Technology Voucher Programme*

35. Mr YIU Si-wing expressed support for the proposed injection into ITF. He noted that from the launch of TVP in November 2016 to 31 December 2017, 241 projects had been approved under TVP with funding of \$31.1 million. Meanwhile, \$10 million was allocated in the 2016-2017 Budget for the Pilot Information Technology Development Matching Fund Scheme for Travel Agents ("the Pilot Scheme"), under which the Administration would only fund a maximum of 50% of the total approved cost of the project or \$100,000 (whichever was the lower) (compared to TVP which was a cross-industry scheme providing cumulative funding of up to \$200,000 on a 2:1 matching basis for each eligible enterprise). In this connection, Mr YIU enquired whether the Administration had assessed the reasons for the lower popularity of TVP compared to the Pilot Scheme. He suggested that the Administration should collaborate with different industry organizations to implement pilot schemes to boost the level of success of TVP. He also suggested that the scope of TVP be enlarged to cover funding support for SMEs' expenses in providing training to staff in learning to use information technology ("IT") software and hardware systems.

36. CIT noted Mr YIU's suggestions and advised that the Administration had relaxed the eligibility criteria for TVP at the end of February 2018. Under the relaxed criteria, all local non-listed enterprises, irrespective of size and duration of operation, would be eligible to apply for funding of TVP. In addition to the cancellation of the one-year operation requirement, the restriction on the number of employees employed by the applicant enterprise would be removed, which would allow enterprises with more employees to apply for TVP funding. The Administration had been engaging with industry organizations to brief them on the implementation of TVP and the enhancement measures, and was planning to further promote TVP through electronic media. CIT added that TVP would cover training costs which were directly related to the technology solutions.

37. Noting that only 355 companies were supported under TVP, Mr Christopher CHEUNG commented that the number was minimal compared to the total 330 000 SMEs in Hong Kong. In this regard, he enquired about the number of funded companies which belonged to the financial services sector, and urged the Administration to step up promotion of TVP to the sector. CIT replied that among the 355 companies supported under TVP, about 5% were intermediaries from the financial services sector, including securities and insurance companies seeking to upgrade their services with I&T. Assistant Commissioner for Innovation and Technology added that 15 companies in the financial services sector were supported in total.

#### *Supporting start-ups*

38. Mr CHUNG Kwok-pan said that the Administration should provide assistance to R&D start-ups in obtaining seamless funding support and promoting their R&D deliverables and prototypes to private enterprises and public organizations such as public hospitals, so as to incentivize commercialization of R&D results.

39. CIT concurred with Mr CHUNG's view and said that the Administration attached great importance to incubate local I&T start-ups and support SMEs. One of the main objectives of the Hong Kong Science and Technology Parks Corporation ("HKSTPC") and Cyberport was to nurture start-ups through their incubation programmes, and help incubatees raise angel/venture capitals to sustain their development and further expansion. To enhance support for local I&T start-ups and SMEs, ITC expanded the scope of the Public Sector Trial Scheme in 2016 to include incubatees and graduate tenants of HKSTPC and Cyberport for trials of their products or services in the public sector.

#### *Other issues*

40. Dr CHIANG Lai-wan said that the Democratic Alliance for the Betterment and Progress of Hong Kong supported the proposed injection of \$10 billion to



support ITF and reindustrialization. Noting that the 2018-2019 Budget had set aside \$50 billion for various projects in support of the I&T development whereas the injection into ITF would be \$10 billion, Dr CHIANG enquired about the timetable for submitting the relevant funding proposals of the other projects for discussion. Noting that the Chief Executive had set a goal of doubling Hong Kong's gross expenditure on R&D as a percentage of gross domestic product ("GDP") to 1.5% by 2022, Dr CHIANG urged the Administration to also consider setting a target of economic return on R&D investment as a percentage of GDP.

41. CIT advised that the funding proposals of the various projects as announced in the 2018-2019 Budget would be submitted to the Panel for discussion by phase. The Administration would submit the funding proposal for the first phase of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop at a later stage. CIT added that ITC would explore with C&SD on compilation of the relevant statistics on economic return on R&D investment as a percentage of GDP.

42. In response to Dr CHIANG Lai-wan's enquiry, CIT said that among the 12 funding programmes under ITF, six were targeted mainly at private enterprises, and two programmes catered for both private and public institutions. For example, the R&D Cash Rebate Scheme aimed at providing cash rebate to private companies for their expenses in R&D projects. So far, over 1 800 applications involving hundreds of private companies had been granted cash rebate under the scheme. Other funding programmes catered for non-profit making organizations and local public research institutions such as local universities and R&D Centres, which included the Hong Kong Applied Science and Technology Research Institute.

### *Summing up*

Admin 43. The Chairman concluded that members were in support of the Administration's funding proposal, and urged the Administration to take into account members' views and suggestions in preparing the discussion paper when submitting the proposal to the Finance Committee for consideration. In particular, the Administration should put forward improvement measures to the application and vetting procedures for the various funding programmes under ITF, including setting up a centralized frontline office to promote the funding programmes and provide one-stop service to assist SMEs in submitting applications for the various programmes. The Administration should also consider setting key performance indicators to evaluate how effectively each funding programme under ITF was achieving its objectives, as well as the benefits brought about to Hong Kong economy as a whole, in particular the effectiveness in attracting overseas talents to Hong Kong and grooming local talents. Moreover, the Administration should consider measures to further encourage investment in R&D, including: (i) setting a target on R&D investment as a percentage of GDP; (ii) attracting multinational

corporations to set up their R&D centres in Hong Kong; and (iii) retaining local R&D deliverables in Hong Kong's industry chain, by drawing reference from the successful experience of Israel and Singapore, which had high levels of R&D investment as a percentage of GDP.

44. There being no other business, the meeting ended at 4:54 pm.

Council Business Division 1  
Legislative Council Secretariat  
13 June 2018

**Panel on Commerce and Industry**

**Meeting on Tuesday, 20 March 2018, at 2:30 pm**

**Progress of the implementation of the Dedicated Fund on Branding,  
Upgrading and Domestic Sales and enhancement of  
the various SME funding schemes**

**Summary of views and concerns expressed by deputations**

	<b>Name of deputation/individual</b>	<b>Submission/Major views and concerns</b>
1.	Federation of Hong Kong Industries	<ul style="list-style-type: none"><li>• LC Paper No. CB(1)726/17-18(01) (Chinese version only)</li></ul>
2.	Nam Pak Hong Association	<ul style="list-style-type: none"><li>• welcomed the proposed enhancement measures for the BUD Fund which would facilitate traditional industries to apply for funding;</li><li>• welcomed the proposed increase of the cumulative funding ceiling per SME from \$200,000 to \$400,000 under EMF which would incentivize SMEs to promote the export of their products and services through participating in exhibitions; and</li><li>• urged the Administration to set up a centralized co-ordination office/team to assist start-ups in applying for funding.</li></ul>
3.	Mr FOK Lap-lai	<ul style="list-style-type: none"><li>• urged the Administration to speed up the appropriation of approved funding so that SMEs could better deploy their cash flow to cope with the cost of participating in different exhibitions.</li></ul>
4.	League of Social Democrats	<ul style="list-style-type: none"><li>• urged the Administration to assess the return on investment brought by various funding schemes in terms of the employment opportunities created and increased public revenue through profits tax, etc.; and</li><li>• urged the Administration to invest in other directly measurable initiatives for the benefit of the society as a whole.</li></ul>
5.	The Hong Kong Chinese Importers' and Exporters' Association	<ul style="list-style-type: none"><li>• LC Paper No. CB(1)726/17-18(02) (Chinese version only)</li></ul>

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6.	Hong Kong Small and Medium Enterprises Association	<ul style="list-style-type: none"> <li>welcomed the proposed enhancement measures for the BUD Fund and other funding schemes;</li> <li>urged the Administration to assist SMEs to grasp the business opportunities arising from the development plan of the Bay Area and the ASEAN region;</li> <li>urged the Administration to shorten the vetting and approval time of the funding schemes to improve the cash flow situation of SMEs and enhance promotion of the funding schemes; and</li> <li>urged the Administration to enhance the flexibility of the various funding schemes by reducing the number of quotations required, and allowing flexibility for SMEs to reallocate grant amongst different approved budget items.</li> </ul>
7.	The Hong Kong General Chamber of Small and Medium Business	<ul style="list-style-type: none"> <li>LC Paper No. CB(1)697/17-18(01) (Chinese version only)</li> </ul>
8.	The Cosmetic & Perfumery Association of Hong Kong	<ul style="list-style-type: none"> <li>LC Paper No. CB(1)726/17-18(03) (Chinese version only)</li> </ul>
9.	Hong Kong Apparel Machinery Association	<ul style="list-style-type: none"> <li>LC Paper No. CB(1)684/17-18(08) (English version only)</li> </ul>
10.	The Chinese Manufacturers' Association of Hong Kong	<ul style="list-style-type: none"> <li>LC Paper No. CB(1)684/17-18(09) (Chinese version only)</li> </ul>
11.	Hong Kong General Chamber of Commerce	<ul style="list-style-type: none"> <li>LC Paper No. CB(1)726/17-18(04) (Chinese version only)</li> </ul>
12.	Hong Kong Wine Chamber	<ul style="list-style-type: none"> <li>LC Paper No. CB(1)726/17-18(05) (Chinese version only)</li> </ul>
13.	Liberal Party Youth Committee	<ul style="list-style-type: none"> <li>urged the Administration to further streamline the application procedure, simplify the application forms</li> </ul>

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		<p>and shorten the vetting and approval time for funding so as to reduce SMEs' cost in applying for the funding schemes;</p> <ul style="list-style-type: none"> <li>• urged the Administration to further expand the geographical scope of the BUD Fund and set up a dedicated programme to provide funding support for SMEs to develop the Belt and Road markets; and</li> <li>• urged the Administration to assist SMEs in resolving difficulties in obtaining financing from participating lending institutions.</li> </ul>
14.	Liberal Party	<ul style="list-style-type: none"> <li>• considered that the Hong Kong Productivity Council was the most suitable implementation partner for the enhanced BUD (ESP) and the new programme for ASEAN projects; and</li> <li>• urged the Administration to further streamline the application procedure, simplify the application forms and shorten the vetting and approving time for funding so as to reduce SMEs' cost in applying for the funding schemes.</li> </ul>