

立法會
Legislative Council

LC Paper No. CB(1)934/19-20
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 16 June 2020, at 2:30 pm
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Jimmy NG Wing-ka, BBS, JP (Chairman)
Hon Alvin YEUNG (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon Elizabeth QUAT, BBS, JP
Dr Hon CHIANG Lai-wan, SBS, JP
Hon CHUNG Kwok-pan
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon LAU Kwok-fan, MH

Members absent : Hon WU Chi-wai, MH
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick

**Public officers
attending**

: Agenda item III

Innovation and Technology Bureau

Mr Alfred SIT, JP
Secretary for Innovation and Technology

Ms Annie CHOI, JP
Permanent Secretary for Innovation and Technology

Mr Alan LO
Deputy Secretary for Innovation and Technology (1)

Innovation and Technology Commission

Ms Rebecca PUN, JP
Commissioner for Innovation and Technology

Mr Ivan LEE, JP
Deputy Commissioner for Innovation and Technology

Office of the Government Chief Information Officer

Mr Victor LAM, JP
Government Chief Information Officer

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

I. Matters arising

(LC Paper No. CB(1)738/19-20(01) -- List of outstanding items for discussion

LC Paper No. CB(1)738/19-20(02) -- List of follow-up actions)

Members noted the two papers and raised no questions.

II. Information paper issued since last meeting

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

III. Innovation and technology development and the re-industrialization policy in Hong Kong

(LC Paper No. CB(1)738/19-20(03) -- Administration's paper on "Innovation and Technology Development and the Re-industrialisation Policy in Hong Kong"

LC Paper No. CB(1)738/19-20(04) -- Paper on the innovation and technology development and re-industrialization policy in Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Submissions received from organizations

(LC Paper No. CB(1)738/19-20(05) -- Submission dated 5 June 2020 from Technology Incubation Network (Chinese version only)

LC Paper No. CB(1)738/19-20(06) -- Submission dated 5 June 2020 from Smart City Consortium (Chinese version only)

LC Paper No. CB(1)738/19-20(07) -- Submission from GS1 Hong Kong (Chinese version only)

- LC Paper No. CB(1)738/19-20(08) -- Submission dated 5 June 2020 from Open Source Hong Kong
- LC Paper No. CB(1)738/19-20(09) -- Submission dated 5 June 2020 from Federation of Hong Kong Industries (Chinese version only)
- LC Paper No. CB(1)738/19-20(10) -- Submission dated 5 June 2020 from Our Hong Kong Foundation (Chinese version only)
- LC Paper No. CB(1)738/19-20(11) -- Submission dated 5 June 2020 from Democratic Alliance for the Betterment and Progress of Hong Kong (Chinese version only)
- LC Paper No. CB(1)738/19-20(12) -- Submission dated 5 June 2020 from The Hong Kong Chinese Importers' & Exporters' Association (Chinese version only)
- LC Paper No. CB(1)738/19-20(13) -- Submission dated 5 June 2020 from Liberal Party (Chinese version only)
- LC Paper No. CB(1)738/19-20(14) -- Submission dated 5 June 2020 from Hong Kong Computer Society (English version only)
- LC Paper No. CB(1)738/19-20(15) -- Submission dated 5 June 2020 from Hong Kong General Chamber of Commerce (English version only)
- LC Paper No. CB(1)738/19-20(16) -- Submission from The British Computer Society (Hong Kong Section) (English version only)
- LC Paper No. CB(1)738/19-20(17) -- Submission from Hong Kong Biotechnology Organization (English version only)

- LC Paper No. CB(1)738/19-20(18) -- Submission from Institution of Engineering and Technology Hong Kong (English version only)
- LC Paper No. CB(1)738/19-20(19) -- Submission in June 2020 from Hong Kong Cyberport Management Company Limited (English version only)
- LC Paper No. CB(1)738/19-20(20) -- Submission dated 5 June 2020 from The Hong Kong Institution of Engineers (English version only)
- LC Paper No. CB(1)738/19-20(21) -- Submission dated 5 June 2020 from Hong Kong Information Technology Federation (English version only)
- LC Paper No. CB(1)750/19-20(01) -- Joint submission from The Hong Kong Academy of Sciences and The Hong Kong Young Academy of Sciences (English version only)
- LC Paper No. CB(1)754/19-20(01) -- Submission dated 11 June 2020 from The Chinese Manufacturers' Association of Hong Kong (Chinese version only)

Presentation by the Administration

3. At the invitation of the Chairman, Secretary for Innovation and Technology ("S for IT") briefed members on the policies and measures related to innovation and technology ("I&T") development and re-industrialization in Hong Kong. Details of the briefing were set out in the Administration's paper (LC Paper No. CB(1)738/19-20(03)). S for IT thanked the organizations which submitted written views on the subject matters including the areas of infrastructure, talent, research and development ("R&D"), and support measures for small and medium enterprises ("SMEs") in support of I&T development in Hong Kong.

Discussion*Increasing research and development investment*

4. Mr CHAN Chun-ying expressed concern on whether the Government's goal to double the gross domestic expenditure on R&D ("GERD") as a percentage of the Gross Domestic Product ("GDP") to 1.5% by end of its current term of office could be fulfilled, having regard to the fact that GERD as a percentage of GDP had only risen from 0.74% to 0.86% from 2014 to 2018. Given that Hong Kong's GERD as a percentage of GDP had lagged behind its regional competitors such as South Korea, Japan, Taiwan and Singapore, he suggested the Administration allocate resources to focus on those funding programmes and other initiatives which had prominent results in order to help achieve the above goal. For example, the Administration should consider establishing R&D institutions in areas such as biotechnology which Hong Kong had a competitive edge.

5. S for IT said that the Administration was committed to achieving the goal of increasing the GERD to 1.5% by 2022, and had witnessed real growth over the past three years. Apart from devoting over HK\$100 billion in promoting I&T development, the Administration also introduced a number of I&T support measures, including the two-tiered enhanced tax deduction for qualifying R&D expenditures incurred by enterprises with effect from 1 April 2018, to encourage private enterprises to invest more in R&D activities.

Promoting innovation and technology ecosystem

6. Mr CHAN Chun-ying urged the Administration to review outdated legislation or policies which had been hampering R&D development in order to promote an I&T ecosystem and encourage private I&T investment. Noting that proactive steps should be taken to remove legislative and administrative barriers hampering I&T development, Mr Charles Peter MOK said that the Administration should provide in its paper more information on the effectiveness of the Administration's effort in promoting I&T, including the number of enterprises benefitting from the opening up of the Government's information technology ("IT") procurement policy, and progress and way forward of the Technology Voucher Programme. Moreover, the Administration should draw reference from the Fintech Supervisory Sandbox launched by the Hong Kong Monetary Authority and consider some industry associations' suggestion of introducing experimental sandboxes in different business sectors by the relevant bureaux such as the Transport and Housing Bureau ("THB") and the Home Affairs Bureau. The Administration should also first promote among public and private institutions the culture of utilizing Hong Kong's information and communications technology.

7. S for IT said that the high-level inter-departmental Steering Committee on Innovation and Technology chaired by the Chief Executive would review relevant legislation and policies, and implement the necessary changes through the concerted efforts of the bureaux/departments ("B/Ds") concerned. For example, in order to remove institutional barriers and promote the development of the digital entertainment industry and electronic sports ("e-sports"), the Administration had recently exempted e-sports venues from the licensing requirements under the Amusement Game Centres Ordinance (Cap. 435).

8. Ms Elizabeth QUAT said that it was important for the Administration to ensure that existing legislation could keep up with the times so as not to hinder I&T development. In her view, the Administration had over the years failed to obtain public sector information such as parking vacancy data held by private operators through moral persuasion and consultation. Ms QUAT urged the Administration to strive for opening up of such public data by means of legislation. Moreover, the Administration should take decisive measures to relax the existing legislative restriction on the use of electric skateboards. Nevertheless, in formulating business facilitation policies and measures, the Administration should avoid giving preferential treatment only to a particular group of enterprises (such as tenants of the Hong Kong Science Park and the Cyberport).

9. Government Chief Information Officer advised that in the past year, B/Ds had been playing a leading role in actively promoting the opening up of public data. For certain public data kept by private enterprises or public bodies, THB and the Transport Department had been vigorously pursuing with the parties concerned. For example, certain datasets maintained by some of the franchised bus operators and the MTR Corporation Limited, and by some private car park operators (car parks in East Kowloon area in particular) had been opened up. In 2020, over 200 new datasets compiled by various B/Ds would be further released via the Public Sector Information Portal (data.gov.hk) for free access and public use, raising the total number of open datasets to 4 300.

10. S for IT added that the Administration had introduced a pro-innovation government procurement policy in April 2019 by raising the technical weighting in tender assessments, giving tenders with innovative suggestions a better chance of winning the tenders.

Pooling technology talent

11. Mr YIU Si-wing noted that the Researcher Programme ("RP") and Postdoctoral Hub ("PH") had so far distributed in total over HK\$1 billion in funding support to eligible enterprises/organizations. Nevertheless, according to a recent survey, the ratio of R&D personnel as a percentage of total population in

Hong Kong remained low, with only 3 400 R&D personnel out of every one million people, which was only half the corresponding ratio of Singapore. On the other hand, the ratio of postgraduate students to professors was only 2.4 to 1, which was much lower than that of the United Kingdom, i.e. 4.1 to 1. Mr YIU enquired whether the Administration had set any targets on the above ratios and devised measures to achieve such targets. He also enquired about the progress of the Technology Talent Admission Scheme ("TechTAS") which was launched in June 2018, and whether the Administration would take any measures to enhance TechTAS. He also suggested that the Administration should assess the impact of the social incidents triggered by the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 on the drain of overseas and Mainland R&D students.

12. Mr Charles Peter MOK noted that the importance of grooming of talent, including in-service training, was commonly highlighted in many of the submissions from industry associations. In this regard, the experience of Singapore was of much reference value.

13. S for IT said that the grooming of talent was of utmost importance to the development of the I&T industry. The Administration had implemented a number of measures in this area, including the Reindustrialisation and Technology Training Programme launched in 2018, and expanding in March 2020 the RP and PH to all technology companies conducting R&D activities in Hong Kong. Through the STEM Internship Scheme, the Administration aimed to foster STEM (i.e. Science, Technology, Engineering and Mathematics) students' interest in pursuing a career in I&T after graduation, so as to enlarge the local I&T talent pool. RP and PH would continue to nurture these students by attracting them to enter the I&T industry. Relevant measures were also in place to help attract non-local talent. He noted members' suggestion of setting relevant target ratios of R&D personnel to total population, and postgraduate students to professors respectively. Meanwhile, the Administration would continue to foster an I&T ecosystem that would provide opportunities for I&T talents. The Administration also noted members' suggestion to assess the impact of the social incidents on the drain of R&D talents.

14. Permanent Secretary for Innovation and Technology added that the Administration had set a target for the number of employees in I&T industry. In 2014, about 30 000 persons were employed in the I&T industry. When the Administration established the Innovation and Technology Bureau in 2015, it set a target for the number of employees in I&T industry to reach 42 600 in 2020. The target had largely been achieved in 2018 ahead of schedule as a result of the various support measures implemented by the Administration throughout the years.

Re-industrialization policy

15. In order to promote re-industrialization, Mr Jeffrey LAM urged the Administration to offer more incentives in areas such as tax concessions and rental subsidy to attract overseas and Mainland I&T talents and enterprises to set foot in Hong Kong. He suggested that the Administration should introduce measures to attract I&T talents to the opportunities offered by the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"). Mr YIU Si-wing also urged the Administration to explore more collaboration with the other cities of the Greater Bay Area to achieve synergy.

16. S for IT said that the Administration had introduced a number of policy measures to support re-industrialization in Hong Kong. The Administration would launch the HK\$2 billion Re-industrialisation Funding Scheme ("RFS") to subsidize manufacturers on a matching basis to set up new smart production lines in Hong Kong in order to expedite the development of re-industrialization. Under RFS, all companies incorporated in Hong Kong under the Companies Ordinance (Cap. 622) would be eligible to apply for funding. Funding would be provided on a 1(Government):2(enterprise) matching basis, covering a maximum of one-third of the total approved project expenditure or HK\$15 million per project, whichever was the lower. On the other hand, the development of the Microelectronics Centre equipped with dedicated facilities and shared ancillary facilities in Yuen Long would support high-end manufacturing of the relevant industries. S for IT also noted that the Greater Bay Area would offer tremendous development opportunities for Hong Kong. He said that the Administration would organize delegations comprising aspiring young entrepreneurs, scientists and researchers to visit the Greater Bay Area cities in search of development opportunities.

17. Dr CHIANG Lai-wan said that although the Administration had endeavored to develop I&T and re-industrialization in Hong Kong by introducing multifarious programmes and measures, it had lacked vision and focus, and failed to formulate an integrated and long term industrial policy by identifying Hong Kong's positioning and development directions in the international I&T arena. She enquired about the Administration's views on the I&T subsectors in which Hong Kong had competitive edge over its regional competitors. Dr CHIANG suggested that officials responsible for formulating Hong Kong's I&T policy should keep abreast of the latest global trends in I&T, by attending major international I&T exhibitions and conventions (e.g. the China Hi-Tech Fair to be held from 11-15 Nov 2020 in Shenzhen), and by organizing exchanges and seminars to gauge the views of different sectors on issues relating to the development of I&T in Hong Kong.

18. S for IT said that Hong Kong had become a popular I&T investment destination for venture capitalists. Investment by venture capitalists in Hong Kong had risen from HK\$1.2 billion in 2014 to close to HK\$17 billion in 2018. One of the I&T areas in which Hong Kong had potential competitive edge would be medical technology, and it was why healthcare technologies were the focus of one of the first two *InnoHK* research clusters established by the Administration. He added that the Administration had been active in engaging various I&T stakeholders, and would continue gauging the views of different parties in future.

Distance Business Programme

19. Ms Elizabeth QUAT welcomed the introduction of the Distance Business Programme ("D-Biz Programme") under the Anti-Epidemic Fund to support enterprises to continue business and services during the epidemic through adoption of IT solutions. Nevertheless, she pointed out the following implementation problems of the D-Biz Programme raised by the applicants: (i) unclear and inconsistent criteria in adding IT service providers to the IT Service Providers Reference List ("Reference List"); (ii) false representations made by some IT service providers before being admitted into the Reference List; (iii) exaggerated amount of funding sought for certain IT solutions by some applicants in an attempt to obtain the maximum funding amount; (iv) expectation gap in funding level (e.g. much reduced funding amount as opposed to full funding support originally claimed by the Administration, with the subsidized enterprises having to make advance payments and conduct project auditing in order to receive the remaining 70% of the approved funding amount); and (v) arbitrary decisions by the D-Biz Programme Vetting Committee (in some cases, the funding for the type of IT solution approved (e.g. digitization of hard copy document into electronic format) was different from the type originally applied for (e.g. Virtual Desktop Infrastructure)). Whilst urging the Administration to address such inadequacies as soon as possible, Ms QUAT urged the Administration to raise the level of funding commitment for the D-Biz Programme so as to help more SMEs in genuine need go digital. She also urged the Administration to expand the membership of the D-Biz Programme Vetting Committee to improve and expedite the vetting process.

20. Mr Charles Peter MOK shared similar concerns about the problems relating to the implementation of the D-Biz Programme. He said that he had received many complaints from IT service providers that the Administration had given them false hopes about the funding amount the applicants could receive under the D-Biz Programme, thereby wasting their time and resources on filing applications for clients.

21. Mr SHIU Ka-fai welcomed the D-Biz Programme which would on the one hand benefit the retail industry which had been hard hit by the coronavirus disease-2019 ("COVID-19") epidemic, and create job opportunities for the IT industry on the other. He urged the Administration to increase the funding commitment of the Programme from HK\$500 million to HK\$1,500 million.

22. S for IT advised that the COVID-19 epidemic had provided opportunities for the Administration to promote digitalization among SMEs. The D-Biz Programme was very well received by the trade, and had received more than 13 000 applications within about one month of launching, and over 2 000 IT service providers had been included in the Reference List. To ensure prudent and efficient use of public resources, the Administration would adopt three major principles in assessing the applications: (i) propriety, i.e. that the funding should be put to appropriate use to help the enterprises in genuine need; (ii) rationality, i.e. that the approved funding amount should be reasonable; and (iii) appropriateness, i.e. that capable IT service providers should be engaged to provide IT services to the SMEs concerned. Inevitably, the D-Biz Programme Vetting Committee formed by members of the IT industry at times found it necessary to adjust the funding level/category of individual applications in order to uphold the above assessment principles. He clarified that full funding support referred to provision of funding on non-matching basis. He also stressed that the Vetting Committee would not arbitrarily reduce the funding amount of an application simply because of the sheer number of applications received. Meanwhile, the Administration was actively considering members' suggestion of increasing the funding commitment of the D-Biz Programme to meet the strong demand from the trade.

IV. Any other business

23. The Chairman said that it was the last Panel meeting of this term of the Legislative Council and he thanked members and the Administration for their support and contributions. Members noted that the Chairman would speak on the Panel report for the 2019-2020 session at the Council meeting of 15 July 2020.

(Post-meeting note: Members were informed vide LC Paper No. CB(3)670/19-20 dated 14 August 2020 that the Government published in the Gazette on the same date that in exercise of the powers conferred by section 46 of the Interpretation and General Clauses Ordinance (Cap. 1), the Chief Executive had revoked the decision to prorogue the sixth term of the Legislative Council ("LegCo") made under section 6(3) and (4) of the Legislative Council Ordinance (Cap. 542) with effect from 14 August 2020. The Government Notice which specified 18 July 2020 as the date from which the sixth term of LegCo should stand prorogued was also revoked.)

24. There being no other business, the meeting ended at 3:50 pm.

Council Business Division 1
Legislative Council Secretariat
1 September 2020