

立法會
Legislative Council

LC Paper No. CB(1)462/16-17

(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 20 December 2016, at 2:30 pm
in Conference Room 2 of the Legislative Council Complex

Members present : Hon WU Chi-wai, MH (Chairman)
Hon SHIU Ka-fai (Deputy Chairman)
Hon James TO Kun-sun
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon LEUNG Kwok-hung
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon Dennis KWOK Wing-hang
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Jimmy NG Wing-ka, JP
Hon Holden CHOW Ho-ding
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon LAU Kwok-fan, MH
Hon Jeremy TAM Man-ho
Dr Hon YIU Chung-yim

Members absent : Hon CHAN Kin-por, BBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Alvin YEUNG
Hon CHU Hoi-dick
Hon HUI Chi-fung
Hon Kenneth LAU Ip-keung, MH, JP

Public officers attending : Agenda item IV

Commerce and Economic Development Bureau

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

Miss Fabia TAM
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and
Industry)³

Intellectual Property Department

Ms Ada LEUNG, JP
Director of Intellectual Property

Mr Thomas TSANG
Assistant Director of Intellectual Property
(Patents)

Agenda Item V

Ms Salina YAN, JP
Director-General of Trade and Industry

Ms Winky SO
Deputy Director-General of Trade and Industry

Ms Monica CHEN
Assistant Director-General of Trade and Industry

Agenda Item VI

Dr David CHUNG, JP
Under Secretary for Innovation and Technology

Ms Annie CHOI, JP
Commissioner for Innovation and Technology

Mr Johann WONG, JP
Deputy Commissioner for Innovation and
Technology

Ms Zorina WAN
Assistant Commissioner for Innovation and
Technology (Policy & Development)

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

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

Miss Judy YEE
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

- I. Confirmation of minutes of meeting**
(LC Paper No. CB(1)309/16-17 -- Minutes of meeting held on
15 November 2016)

The minutes of the meeting held on 15 November 2016 were confirmed.

- II. Information paper issued since last meeting**
(File Ref: CITB CR 67/53/1 -- Legislative Council Brief on
United Nations Sanctions (Iran)
Regulation (Repeal) Regulation
and United Nations Sanctions
(Joint Comprehensive Plan of
Action — Iran) Regulation)

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

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)311/16-17(01) -- List of outstanding items for discussion

LC Paper No. CB(1)311/16-17(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on Wednesday, 25 January 2017, at 2:30 pm to receive the briefings by the Secretary for Commerce and Economic Development, the Secretary for Constitutional and Mainland Affairs and the Secretary for Innovation and Technology on the Chief Executive's 2017 Policy Address.

IV. Proposal for creating a permanent Assistant Director of Intellectual Property post in the Intellectual Property Department

(LC Paper No. CB(1)311/16-17(03) -- Administration's paper on "Proposed Creation of one Permanent Directorate Post of Assistant Director of Intellectual Property in the Intellectual Property Department"

LC Paper No. CB(1)311/16-17(04) -- Extract of minutes of meeting on item V "Progress of implementation of the patents reform and review of the manpower support for the implementation" held on 15 November 2016

Relevant paper

LC Paper No. CB(1)90/16-17(06) -- Paper on progress of implementation of the patents reform prepared by the Legislative Council Secretariat (background brief)

Presentation by the Administration

4. At the invitation of the Chairman, Under Secretary for Commerce and

Economic Development ("USCED") briefed members on the Administration's proposal for making permanent a supernumerary post of Assistant Director of Intellectual Property ("ADIP") (Directorate Legal 2) in the Intellectual Property Department ("IPD"), designated as ADIP(Patents), to continue with the duties and responsibilities pertinent to the patent portfolio, including implementing an "Original Grant" patent ("OGP") system and a refined short-term patent system (collectively referred to as "the new patent system") in Hong Kong, overseeing the operation of the expanded Patents Registry, and carrying out appropriate measures to drive the further development of the new patent system in the long run. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)311/16-17(03)).

Discussion

5. The Chairman reminded members that in accordance with Rule 83A of the Rules of Procedure of the Legislative Council ("LegCo"), members should disclose the nature of any direct or indirect pecuniary interests relating to the funding proposals under discussion at the meeting before they spoke on the proposals.

Implementation of the new patent system

6. Noting that the implementation of the new patent system had been delayed from 2017 as originally planned to 2019, Mr Jimmy NG enquired if the Administration had encountered any difficulty in implementing the new patent system and whether the proposed creation of the permanent ADIP post in IPD could help expedite the implementation process.

7. Director of Intellectual Property ("DIP") explained that when the Panel was briefed on the Report of the Advisory Committee on Review of the Patent System in Hong Kong and the Administration's policy decision at its meeting on 13 February 2013, the legislative proposal on amending the Patent Ordinance (Cap. 514) was still under preparation, and it was at that early stage the Administration projected that the OGP system could be implemented in 2017 the earliest. Taking into account various preparatory tasks which included the drafting of legislative amendments to the subsidiary legislation on the procedural aspects of the new patent system, preparation of the examination guidelines, design of workflows for examination of OGP applications in consultation with the State Intellectual Property Office of the Mainland, setting up the relevant electronic system, recruitment of additional patents examiners and training of new recruits, etc., the Administration had come up with a more realistic estimation that the new patent system could be implemented in 2019. At the request of the Chairman, the Administration would set out the timeframe for the above-mentioned tasks for members' reference.

(*Post-meeting note:* The information provided by the Administration was circulated to members vide LC Paper No. CB(1)406/16-17(01) on 6 January 2017.)

8. Mr Martin LIAO remarked that the introduction of substantive examination under the new patent system would create many employment opportunities in the patent industry, thus driving the demand for relevant professional talents, such as patent attorney. Mr LIAO asked whether IPD had assessed the impact arising from implementation of the new patent system on the manpower demand for patent-related professionals. He also enquired about the Administration's manpower development plan in nurturing the requisite local talents to support the development of the new patent system in Hong Kong, and the role of the proposed permanent post of ADIP(Patents) in this regard.

9. USCED responded that in addition to the on-going training programmes organized by IPD on intellectual property ("IP") management and commercialization for enterprises to build up their relevant manpower capacity, the School of Law of the City University of Hong Kong and the Master of Laws programme of the University of Hong Kong also offered patent-related courses. DIP added that IPD was planning to commission a dedicated IP manpower survey which was expected to commence in early 2017 with a view to identifying the manpower capacity and training needs of the local IP industry, including the patent industry. The findings of the survey, which were projected to be available in end 2017 or early 2018, could help IPD identify the required manpower for the patent industry and facilitate the drawing up of relevant manpower development plans. ADIP(Patents) would collaborate with ADIP(Advisory), who would be in charge of the survey, to oversee the conduct of the survey. Moreover, ADIP(Patents) had all along maintained close liaison with local universities and their Technology Transfer Offices in respect of the provision of patent-related courses and further development of the relevant training programmes.

Justifications of the proposal

10. Dr YIU Chung-yim raised concern about the need for making the supernumerary post of ADIP(Patents) permanent and asked whether the Administration would consider extending the supernumerary post for another three years as an alternative to the current proposal.

11. USCED advised that the existing supernumerary post of ADIP(Patents) was created in April 2014 for three years to head the Patents Team to study the implementation of the new patent system in Hong Kong. Following the passage of the Patents (Amendment) Bill 2015 in June 2016, the Administration had conducted a review on the manpower of IPD and found it necessary to make the

post of ADIP(Patents) permanent to provide dedicated manpower support to oversee the implementation and operation of the new patent system.

12. DIP added that following the enactment of the Patents (Amendment) Ordinance 2016, the new patent system would become a permanent Government function as an integral part of the local IP regime and infrastructure. In this connection, the building and running of the new patent system, which would involve the development of indigenous capacity for conducting substantive examination and exploration of collaboration with the patent offices outside Hong Kong, was a long-term commitment to be sustained and perfected through continuous efforts over time. Accordingly, the Administration considered it necessary to make the ADIP(Patents) post permanent.

13. Noting that some non-directorate posts of the Patents Team were supernumerary posts, Dr YIU Chung-yim asked whether the Administration would create more permanent posts under the Team. DIP said that at present, the Patents Team headed by ADIP(Patents) comprised two Senior Solicitors ("SS"), one Solicitor, one Personal Secretary and one Assistant Clerical Officer. The posts of one SS and Personal Secretary were time-limited ones up to 31 March 2017 tying in with the supernumerary ADIP post. To maintain the necessary ongoing support to the proposed permanent ADIP post, IPD planned to make these time-limited non-directorate posts permanent with effect from 1 April 2017. IPD had also secured resources to expand the Patents Registry by creating five IP examiner posts initially to prepare for the new patent system. IPD would further review the manpower support requirement in the Patents Team and the Patents Registry after the new patent system had come into operation.

Proposed duties of ADIP(Patents)

14. Mr YIU Si-wing pointed out that the number of staff of the Trade Marks Registry which reported to ADIP(Registration) was more than that of the Patents Registry under ADIP(Patents)'s purview. In this connection, Mr YIU enquired about the rationale of the Administration's proposal for ADIP(Patents) to take over from ADIP(Registration) the policy oversight over the daily operation of the Designs Registry.

15. DIP explained that the Trade Marks Registry, in view of its heavier workload, had more manpower compared with the other two registries, namely the Patents Registry and the Designs Registry. More specifically, in respect of the volume of applications handled per year, there were about 40 000 applications for registration of trade marks, whereas the number of applications for registration of standard and short-term patents and registered designs were about 12 000 to 13 000, 500 to 600 and 5 000 respectively. Moreover, the Trade Marks Registry was required to conduct substantive examination on trade marks applications

received while only formality examination was conducted by the Patents Registry and the Designs Registry on the relevant patent and design applications.

16. DIP further said that the transfer of the relevant functions of overseeing the Designs Registry from the Registration Team to the Patents Team was proposed having regard to the ongoing and additional commitments undertaken by ADIP(Registration) and the Registration Team. ADIP(Registration) would take up additional work relating to the possible application of the Madrid Protocol ("MP") in the Hong Kong Special Administrative Region which would involve amendments to the existing legislation and also establishment of an administrative system to support the new route of international applications under MP. In light of the above, the Administration considered it appropriate to transfer the policy oversight over the daily operation of the Designs Registry from ADIP(Registration) to ADIP(Patents).

17. Whilst expressing support for the Administration's proposal to create a permanent ADIP(Patents) post to implement the new patent system, Mr MA Fung-kwok enquired whether it would be feasible to deploy ADIP(Copyright) to take up some of the duties of ADIP(Patents), in view of the unsuccessful legislative attempt of the Copyright Amendment Bill (2014) and the fact that the Administration had no plan to re-submit the relevant amendment bill to LegCo within the current term of Government. Mr MA also enquired about the way forward for updating the current copyright regime.

18. USCED responded that despite the unsuccessful legislative exercise to update the copyright regime, ADIP(Copyright) and the Copyright Team had continued to work out the way forward on how best the local copyright regime could be updated. DIP added that ADIP(Copyright) also had to follow up other tasks under the copyright portfolio. These included drawing up a new set of Copyright Tribunal Rules, as well as undertaking studies and researches on international development of various copyright issues. She said that for instance, the copyright exceptions provided for under the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled ("the Marrakesh Treaty"), an international treaty relating to copyright administered by the World Intellectual Property Organization which had entered into force on 30 September 2016, were being studied. ADIP(Copyright) had also participated in international conferences on copyright, including one held in the United Kingdom in September 2016. DIP said that understanding the relevant international experience would be conducive to the work of IPD in considering how best to update the Copyright Ordinance (Cap. 528) ("CO") in the future.

19. Dr Fernando CHEUNG remarked that the People's Republic of China was a contracting party to the Marrakesh Treaty. Dr CHEUNG urged the

Administration to implement the requirements of the Marrakesh Treaty regarding the provision of a barrier-free access to published works, such as books, literature, music and drama, etc. to the blind, visually impaired or printed disabled under the relevant exceptions under CO when updating the copyright regime by the new term of Government in the future.

20. Mr YIU Si-wing considered that the Administration should enhance public awareness on IP protection, and enquired about the publicity and education plan on the new patent system, which being one of the duties of ADIP(Patents), and the annual budget dedicated for such a purpose.

21. DIP advised that publicity and education were part and parcel of the on-going work of IPD. She said that IPD had, during the drafting stage and the scrutiny of the Patents (Amendment) Bill 2015 by LegCo, launched a number of publicity and education programmes to promote the new patent system to chambers of commerce, relevant stakeholders and professional bodies. In addition, IPD had sponsored training courses and workshops on patent drafting, search and professional practice conducted by the relevant bodies in the industry.

22. In respect of funding for publicity and education work, DIP said that IPD would, in addition to its internal recurrent provision, make use of the \$23 million one-off provision for IP trading promotion during the period from 2015 to 2018, which would include launching a series of publicity programmes relating to the new patent system. IPD would continue their publicity and education work and secure funding for such purposes after 2018 as necessary.

23. Whilst supporting the Administration's proposal, the Deputy Chairman relayed the concern of trade mark owners, including those of the proprietary Chinese medicines industry, about trade mark infringements and passing off. He urged the Administration to step up education efforts to enhance the awareness of local small and medium enterprises ("SMEs") on trade mark protection, in particular what activities and under what circumstances would constitute infringements and passing off. The Chairman enquired about the enforcement actions against such activities .

24. DIP responded that for cases involving unauthorized use of trade mark, the suspected infringer might be, depending on the situation of individual cases, subject to criminal or civil liabilities. The Customs and Excise Department was responsible for taking criminal enforcement actions against the infringers. That notwithstanding, the Administration considered it pivotal for enhancing trade mark owners' knowledge and awareness on IP protection. In this connection, IPD had launched the IP Manager Scheme to help local SMEs build up their manpower capacity in respect of IP awareness, management and protection.

25. Dr Fernando CHEUNG pointed out that the poor were usually deprived of receiving treatments by patented drugs and medical devices of high costs. Expressing concern about whether the patent law of Hong Kong would have any contradiction with the Government's policy direction on caring for the disadvantaged, Dr CHEUNG enquired whether the proposed ADIP post would be tasked to study the relevant issue. He considered that the Administration should propose legislative amendments to the patent law to address such an issue if necessary. Mr LEUNG Kwok-hung expressed a similar concern and asked whether the responsibilities of ADIP(Patents) would include negotiating with pharmaceutical companies with patent protection of their drugs in Hong Kong to enable the use of the relevant drugs in Hong Kong's public hospitals at a lower price, thereby reducing the Government's financial burden in respect of public medical expenses.

26. DIP responded that ADIP(Patents) and his Patents Team would conduct review of the patent law from time to time and propose to introduce further legislative amendments as might be required. One of the possible topics under such review might cover whether the Bolar exemption should be introduced into the local patent law. She said that some countries had specifically provided for Bolar exemption in their own patent laws, which allowed manufacturers of generic drugs to conduct studies, tests or trials of a patented pharmaceutical invention to obtain marketing approval without the patent owner's permission and before the patent protection expired, thereby facilitating the generic drug producers to obtain approval for marketing their generic drugs, thus helping the lowering of the cost of drugs dedicated for treatment of specific diseases.

Summing up

27. The Chairman concluded that the Panel supported in principle the Administration's proposal for making permanent the supernumerary post of ADIP (Directorate Legal 2) in IPD to continue with the duties and responsibilities pertinent to the patent portfolio, and also supported that the proposal be submitted to the Establishment Subcommittee for consideration. The Chairman urged the Administration to take note of Dr Fernando CHEUNG's and Mr LEUNG Kwok-hung's view on the possible application of Bolar exemption in Hong Kong's patent law to help lower the cost of medical expenses relating to the use of patented drugs by the needy and in public hospitals.

V. Plurilateral initiatives for promoting trade - Free Trade Area of the Asia Pacific and Global Data Standards under Asia-Pacific Economic Cooperation

(LC Paper No. CB(1)311/16-17(05) -- Administration's paper on "Plurilateral Initiatives for Promoting Trade - Free Trade Area of the Asia Pacific and Global Data Standards under Asia-Pacific Economic Cooperation"

LC Paper No. CB(1)311/16-17(06) -- Paper on plurilateral initiatives for promoting trade prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

28. At the invitation of the Chairman, Director-General of Trade and Industry ("DGTI") briefed members on the latest developments of the Free Trade Area of the Asia Pacific ("FTAAP") and Global Data Standards ("GDS") under Asia-Pacific Economic Cooperation ("APEC"). DGTI said that in 2014, APEC leaders agreed to launch a Collective Strategy Study ("the Study") on issues related to the realization of FTAAP and instructed officials to report the results by end of 2016. The recommendations of the Study had been endorsed and adopted by APEC leaders as the Lima Declaration in November 2016 in Lima, Peru. It was agreed to take forward specific areas of work to further promote free and open trade and investment and support advancement toward an eventual FTAAP. DGTI also said that as an open and free economy, Hong Kong welcomed the Lima Declaration and supported advancing work in realizing FTAAP which would enhance overall competitiveness, integration and prosperity in the APEC region, and it was also in line with the aspirations of the business sector.

29. With regard to the GDS project, DGTI explained that enhancement of connectivity and promotion of trade facilitation was a priority of APEC. Hong Kong had partnered with New Zealand in co-leading GDS project, which included a suite of pilot projects, to assess the costs and benefits of using GDS to enhance the supply chain performance. In providing standardized information on a common platform, GDS allowed the stakeholders to track the products in real time and contributed to more accurate risk management by border agencies and customs control. The pilot projects were scheduled for completion by end of 2016. The relevant study would be completed in early 2017. As a key trading and logistic hub, Hong Kong supported the wider adoption of GDS which would

enhance our competitiveness and bring in more business opportunities. Details of the progress of the relevant initiatives are provided in the Administration's paper (LC Paper No. CB(1)311/16-17(05)).

Discussion

Impacts of global political developments on trade

30. Mr CHAN Chun-ying referred to the public comments from the United States ("US") President-elect Donald Trump that the US would withdraw from the Trans-Pacific Partnership ("TPP") on his assumption of office, and pointed to the concerns from various economies on the US stance. Noting that APEC economies would continue to work towards the eventual realization of FTAAP, Mr CHAN asked whether the Administration would assess the possible impact of the US' withdrawal from TPP on Hong Kong's trade and economy. The Chairman echoed Mr CHAN's views and added that although Hong Kong was not a member of TPP, the Administration should take the initiative to assess the potential impacts of the US political developments on Hong Kong's economy.

31. DGTI advised that as Hong Kong was not a member of TPP, the Administration did not anticipate the stance of the US towards TPP to pose direct impact on Hong Kong in the same way that it might have on TPP members. However, as Hong Kong was an externally oriented economy and in view of the importance of free trade to our economy, the Administration would continue to closely monitor the developments in the US, especially its stance on free trade to assess the potential impact on Hong Kong's economy. DGTI added that Hong Kong actively participated in the negotiations of free trade agreements with a number of trading partners, including the Association of Southeast Asian Nations.

Global Data Standards

32. Expressing the concerns of some local start-ups in GDS-related industry on the insufficient support rendered to them, Mr CHAN Chun-ying urged the Administration to provide support to facilitate local start-ups to participate in GDS.

33. DGTI advised that GS1 Hong Kong, a non-profit making organization, had been awarded through open tendering process by the APEC Secretariat the contract of providing technical assistance and consultancy support to the GDS pilot projects. Hong Kong had been working closely with GS1 Hong Kong on the project, providing policy guidance and financial support in the process. The Administration stood ready to support local start-ups who are interested in GDS.

34. Mr CHAN Chun-ying enquired about the reasons for the limited types of

goods covered under the list of GDS pilot projects. DGTI advised that under the GDS pilot projects, shipments with a wide range of selected goods would be conducted to assess the effectiveness of GDS in monitoring the progress throughout the supply chain, especially in ensuring the product quality and conditions (for instance, temperature monitoring under cold-chain storage for perishable products). This would allow stakeholders, including manufacturers/exporters, logistics operators, importers and customs/border agencies, to gain hands-on experience in applying GDS to their current operations.

VI. Continuing the Technology Start-up Support Scheme for Universities after 2016-2017

(LC Paper No. CB(1)311/16-17(07) -- Administration's paper on "Technology Start-up Support Scheme for Universities"

LC Paper No. CB(1)311/16-17(08) -- Paper on the Technology Start-up Support Scheme for Universities prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

35. Members were shown a video presentation featuring six examples of start-ups funded by the Technology Start-up Support Scheme for Universities ("TSSSU"), which was set up in 2014-2015 for an initial period of three years to assist start-ups established by teams associated with the six local universities, namely The University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong, The Hong Kong University of Science and Technology, Hong Kong Baptist University and The Hong Kong Polytechnic University ("HKPU") in commercializing their research and development ("R&D") results.

36. At the invitation of the Chairman, Under Secretary for Innovation and Technology briefed members on the Administration's proposal for continuing TSSSU for another three years from 2017-2018 to 2019-2020 to provide an annual funding of up to \$4 million to each of the six eligible local universities to support the development of the start-ups they recommended. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)311/16-17(07)).

Discussion

37. The Chairman reminded members that in accordance with Rule 83A of the

Rules of Procedure of the Legislative Council ("LegCo"), they should disclose the nature of any direct or indirect pecuniary interests relating to the funding proposals under discussion at the meeting before they spoke on the proposals.

Expanding the funding scope of TSSSU

38. Dr Helena WONG declared that she was a lecturer of HKPU and had not participated in TSSSU-related projects. Dr WONG said that Members belonging to the Democratic Party supported the Administration's proposal as TSSSU served as another source of funding support for R&D initiatives of universities apart from the allocation of the Research Grants Council. Opining that all local universities should stand equal opportunity to compete for government funding to support their R&D work, Dr WONG enquired whether the Administration would consider expanding the funding scope of TSSSU to other local universities, such as the Open University of Hong Kong and the Education University of Hong Kong.

39. Commissioner for Innovation and Technology ("CIT") responded that the funding scope of TSSSU covered start-ups associated with the six local universities since these universities had been undertaking relatively more applied R&D projects and work relating to technology transfer when TSSSU was set up in 2014-2015. That notwithstanding, the Innovation and Technology Commission ("ITC") would continue to liaise with other local universities and keep in view their developments in respect of applied R&D work, and seek the Panel's views for expanding the funding scope of TSSSU should such a need arise.

Admin 40. At the request of Dr Helena WONG, the Administration undertook to provide the application statistics of TSSSU since its launch in 2014-2015, including the number of applications approved and rejected, amount of funding approved for each application and name of the TSSSU-funded start-ups, with a tabulated breakdown of the relevant information by the six eligible local universities.

Reviewing the funding ceiling of TSSSU

41. Considering that the expenditure incurred in R&D projects of the start-ups established by university teams would normally be enormous, including, for example, the cost for hiring full-time staff, Dr Helena WONG opined that the funding ceiling of TSSSU, which was currently capped at \$4 million per year for each university, might not be adequate. Dr WONG urged the Administration to review the funding ceiling of TSSSU and enquired whether a mechanism was in place to deploy the unspent funds under TSSSU among the six eligible universities such that government resources set aside for the purpose could be fully utilized.

42. CIT responded that the funding was to support start-ups in the pre-seed

stage. The Administration considered that in view of the current number of TSSSU-funded start-ups at the six local universities, the existing funding ceiling of \$4 million per year for each university should be able to meet the capital needs of such start-ups. That notwithstanding, the Administration would keep in view the implementation of TSSSU and consult the Panel on raising the funding ceiling for each university should there be a substantial increase in the number of applicant start-ups in the future.

43. CIT also said that there was currently no mechanism to distribute unspent funds of TSSSU among the eligible universities. Yet, experience in the past three years indicated that universities could fully exhaust the annual funding of \$4 million, i.e. the funding ceiling of TSSSU, except for the first year of implementation since it took some time for the universities to set up the implementation arrangements. It was unlikely that there would be unspent funds available for re-deployment.

44. Noting that only about one third of applications were approved under TSSSU since its inception, Mr YIU Si-wing enquired about the low approval rate. He was concerned that some R&D projects with good potential might not be able to secure TSSSU funding for further development due to over stringent selection criteria or limited funding available for each university.

45. CIT responded that TSSSU applications were vetted by the respective selection panel of each university according to the assessment criteria prescribed by ITC. The selection panel comprised appropriate assessors with relevant expertise and experience, including technologists, academics, experts from the industry, professionals in related areas like accounting, financial, legal, public or private incubators, venture capitalists, etc. In deciding whether to support a start-up, the panel would primarily take into consideration the commercialization potential of the relevant R&D deliverables. Apart from TSSSU funding, the universities also provided other funds and various support for the development of these start-ups. At the request of Mr YIU Si-wing, the Administration undertook to provide information on, in respect of the 336 applications rejected since the inception of TSSSU, the cases, if any, where the start-ups that were not funded under TSSSU, had their R&D results commercialized eventually.

Admin

46. Mr YIU Si-wing opined that the Administration should provide more assistance to university start-ups to drive their development, and enquired whether a commendation scheme was in place to reward outstanding projects. CIT said that universities had been providing funding and a wide range of professional support through their Technology Transfer Offices ("TTOs") to assist the development of their associated start-ups. University start-ups could also apply to join the incubation programmes of the Hong Kong Science Park and Cyberport where more holistic support would be provided. CIT added that some

universities had also been presenting awards to outstanding start-ups.

Monitoring and control mechanism

47. Noting that TSSSU applications were vetted and assessed by the respective selection panel of the universities, Dr Helena WONG enquired about the monitoring and control mechanism put in place by the Administration to assess the performance of the approved start-ups. Mr CHAN Chi-chuen and Ms Tanya CHAN asked whether the six eligible universities would adopt the same set of selection criteria for TSSSU applications. Ms Tanya CHAN was also keen to ensure that the funding approval process of TSSSU was fair and transparent. She enquired whether the relevant assessment mechanism was made known to the applicant start-ups and whether the Administration had an oversight on the assessment and selection procedures conducted by individual universities.

48. CIT responded that since the universities concerned had better understanding of the businesses proposed by the start-ups established by their teams seeking TSSSU funding, the Administration considered it appropriate for the universities to undertake the relevant assessment work. To ensure that the universities' implementation of TSSSU was in line with the funding requirements and arrangements, each university had to submit to ITC its operation plan on TSSSU for agreement before its annual call for applications. In principle, individual universities should follow the assessment criteria prescribed by ITC in assessing TSSSU applications.

49. Deputy Commissioner for Innovation and Technology ("DCIT") added that each university could devise its appropriate assessment and selection mechanism for which ITC's endorsement was required. Moreover, applications assessed and recommended by the selection panels established by universities should be forwarded to ITC for agreement. TSSSU funding was made to the universities on a reimbursement basis after the close of each Government financial year. In this regard, the universities had to submit a certified reimbursement request for expenditure incurred in the previous financial year, together with the statement of expenditure and the auditors' report submitted by each start-up. Payment would be made to the universities after verification of the required documents and information. The relevant reimbursement arrangements aimed to ensure that TSSSU funding would be used in a reasonable, proportionate and proper manner. DCIT stressed that ITC would continue to exercise due control and monitoring in different stages of the funding approval process.

Enhancing the transparency of TSSSU

50. Mr CHAN Chi-chuen remarked that it was difficult for the public to monitor the operation of TSSSU since the relevant information, such as the name

and business nature, organization structure and achievements of the TSSSU-funded start-ups, was not easily accessible. Mr CHAN urged the Administration to enhance the transparency of TSSSU by making public the essential information of TSSSU-funded start-ups on ITC's and individual universities' websites in an easy-to-search format. The Deputy Chairman concurred with Mr CHAN's view and advised that publicizing the new products or services developed by university start-ups funded by TSSSU might help attract investment from local investors for the projects and facilitate the development of the concerned start-ups.

Admin 51. CIT responded that ITC had uploaded onto its website some key information on TSSSU-funded start-ups submitted by the universities, but would consider Mr CHAN Chi-chuen's comments and enrich the contents of such information as far as possible. ITC would also refer the relevant view of Mr CHAN to the respective universities for consideration. At the request of Mr CHAN, the Administration undertook to furnish the Panel with supplementary information on the details of the products/services rolled out in the market by the 65 start-ups as referred to in Annex B to the Administration's paper (LC Paper No. CB(1)311/16-17(07)).

52. Mr WONG Ting-kwong asked whether the Administration would consider making public the assessment reports of TSSSU on an annual basis both on the approved and rejected applications, as well as the major achievements of the concerned university start-ups. Mr WONG was of view that the release of such information would help enhance the transparency of the assessment and selection process of TSSSU, and publicize the effectiveness of the funding scheme to gain wider public support. CIT agreed to provide updates on TSSSU to the Panel on a regular basis.

53. Whilst expressing support for the Administration's proposal, the Deputy Chairman suggested that the Administration should consider providing a platform to showcase the new products and services developed by the start-ups of local universities which were not funded by TSSSU to help attract potential buyers such that the commercial potential of these new products and services could also be fully exploited. The Administration took note of the suggestion.

Mechanism on declaration of conflicts of interest

54. Mr CHAN Chi-chuen was concerned that the six local universities might have conflicts of interest in vetting TSSSU applications, and enquired whether the Administration had provided any guideline to the universities in this respect. CIT responded that TTOs of the concerned universities were tasked to promote technology transfer in partnership with the industry and other stakeholders, and commercialize R&D results of different faculties. Staff of TTOs would normally

not be engaged in the universities' research projects. Despite the above, ITC had requested the concerned universities to address the issue of conflicts of interest carefully should such an issue arise.

55. Ms Tanya CHAN sought elaboration on the mechanism on declaration of interests put in place by universities for observance by members of selection panels of TSSSU applications. DCIT said that the six local universities adopted their own prevailing mechanism on declaration of conflicts of interest for TSSSU selection panels.

Enhancing support for university start-ups

56. Dr CHIANG Lai-wan said that the results of TSSSU were encouraging. Pointing out that the commercialization of R&D deliverables of start-ups could help drive the development of industries in Hong Kong, Dr CHIANG urged the Administration to step up its effort to support the further development of start-ups. The Deputy Chairman said that the Administration should consider rolling out more measures to assist start-ups in setting up their manufacturing base on the Mainland and handle the relevant logistics issues.

57. Noting that the Innovation and Technology Venture Fund ("ITVF") aimed to encourage venture capital ("VC") funds to invest in local innovation and technology ("I&T") start-ups to fill the Series A funding gap to support their business expansion, Dr CHIANG Lai-wan said that the Administration should also attract local funds which were looking for investment opportunities to invest in start-ups by publicizing their R&D outcomes.

58. The Deputy Chairman was concerned that start-ups funded under ITVF with VC funds being the major shareholders might relocate their core businesses away from Hong Kong. CIT said that the investee companies of ITVF should be local I&T start-ups with adequate presence in Hong Kong, such as having their R&D work or headquarters based in Hong Kong. The detailed eligibility criteria of I&T start-ups to be funded under ITVF would be determined in due course.

59. Mr WONG Ting-kwong considered that to sustain the long-term growth of start-ups, the Administration should strengthen publicity and marketing support for start-ups to help them secure market share for their products. Mr WONG called on the Administration to take the lead in adopting R&D products developed by local start-ups. CIT said that at present, the Public Sector Trial Scheme ("PSTS") was applicable to ITF-funded projects and the Administration had planned to expand PSTS to cover incubatees of the Hong Kong Science Park and Cyberport. The Administration would consider exploring the feasibility of further expanding PSTS to cover TSSSU-funded start-ups.

Funding mechanism of Innovation and Technology Fund

60. The Chairman and Mr CHAN Chi-chuen enquired as to why the current funding proposal of continuing TSSSU for another three years, which would incur a total expenditure of \$72 million during the entire period, did not require the approval of the Finance Committee ("FC"). CIT responded that according to the control mechanism of the Innovation and Technology Fund ("ITF") established in 1999, FC's approval had to be sought for individual ITF projects costing more than the funding ceiling for Category D projects in the Public Works Programme, which was currently \$30 million.

Summing up

61. The Chairman concluded that the Panel supported in principle the Administration's proposal for continuing TSSSU for another three years from 2017-2018 to 2019-2020. The Chairman urged the Administration to take note of members' views expressed at the meeting, in particular the suggestion on enhancing the transparency of TSSSU and developing an information dissemination platform to make public the key information about the funding scheme and the start-ups supported.

VII. Any other business

62. There being no other business, the meeting ended at 4:41 pm.