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Report of the Panel on Commerce, Industry, Innovation and Technology for submission to the Legislative Council

Purpose

This report gives an account of the work of the Panel on Commerce, Industry, Innovation and Technology (“the Panel”) during the 2023 session of the Legislative Council (“LegCo”). It will be tabled at the Council meeting of 13 December 2023 in accordance with Rule 77(14) of the Rules of Procedure of LegCo.

The Panel

2. The Panel was formed by a resolution passed by LegCo on 8 July 1998 and as amended on 20 December 2000, 9 October 2002, 11 July 2007, 2 July 2008 and 26 October 2022 for the purpose of monitoring and examining Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion. Pursuant to the resolution passed by LegCo on 26 October 2022, the former Panel on Commerce and Industry has been renamed as the Panel on Commerce, Industry, Innovation and Technology. The terms of reference of the Panel are in **Appendix 1**.

3. The Panel comprises 20 members, with Hon Jimmy NG Wing-ka and Dr Hon TAN Yueheng elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is in **Appendix 2**.

Major work

Implementing the new industrialization policy

4. The Government promulgated the Hong Kong Innovation and Technology Development Blueprint (“I&T Blueprint”) in December 2022 to set out major policies for future development directions. One of the directions is to enhance

the innovation and technology (“I&T”) ecosystem and promote new industrialization in Hong Kong. The Administration proposed creating the post of Commissioner for Industry (“C for I”) to coordinate and steer the formulation of strategy for new industrialization and assist the manufacturing sector in upgrading and transformation by making use of I&T. Members exchanged views with the Administration at the meeting on 21 March 2023 on issues related to, among others, promotion of new industrialization in Hong Kong, support for traditional industries, and the role and work portfolio of C for I.

Assisting the traditional manufacturing sector in upgrading and transformation

5. Members pointed out that apart from developing new technology industries, the Administration should also assist Hong Kong’s traditional manufacturing sector in upgrading and transformation by making use of I&T, and encourage enterprises to relocate back to Hong Kong to set up smart production lines. In addition, the Administration should set up an advisory structure for the implementation of the new industrialization policy and strengthen the linkage among the Government, industry, academic and research sectors. The Administration advised that it would set up the Committee on Innovation, Technology and Industry Development (“CITID”), whose members mainly comprised representatives and experts from academia, information technology, industries and other relevant sectors, and relevant government officials. CITID would advise the Government on the strategic development of I&T in Hong Kong, including strategies and measures to promote new industrialization development in Hong Kong.

Giving priority to the application of products researched, developed and manufactured locally

6. Members considered that the Administration and the public sector should give priority to and increase the procurement of products researched, developed and manufactured locally to help promote Hong Kong’s I&T development. The Administration advised that it had been promoting trials of local research and development (“R&D”) outcomes among government departments. For instance, it launched the Public Sector Trial Scheme to conduct trials in government departments and the public sector for products or services researched and developed locally, and provided funding under the Innovation and Technology Fund (“ITF”) for enterprises to produce prototypes or samples for their R&D projects in Hong Kong.

Commissioner for Industry

7. The Administration briefed members on the proposal to create the post of C for I. Members supported the proposal, which was discussed at the meeting

of the Establishment Subcommittee on 3 May 2023 and approved by the Finance Committee on 19 May 2023.

8. Members considered that the proposed C for I should be responsible for the formulation of the overall technology industry policy in Hong Kong; reorganize and coordinate the roles and division of work among various relevant government-funded bodies; and work with the Office for Attracting Strategic Enterprises (“OASES”) to attract technology enterprises and talent from the Mainland and overseas to come to Hong Kong for development through the online platform of Talents Service Unit.¹ Members also suggested that C for I might set up offices in the Northern Metropolis to facilitate liaison and communication with the industry on the development of new technology industries.

9. The Administration responded that C for I would lead in formulating strategies and support measures for new industrialization and coordinate the work of relevant public organizations in promoting new industrialization, as well as liaise and communicate with various stakeholders to promote the development of new technology industries in Hong Kong.

10. Members expressed concern about the division of work between C for I and the Trade and Industry Department (“TID”). The Administration explained that the main responsibilities of C for I were coordinating and steering the formulation of new industrialization strategies, assisting the manufacturing sector in upgrading and transformation with the use of I&T, and bringing in strategic I&T enterprises or advanced manufacturers to establish operations in Hong Kong. The work of TID included supporting and promoting the development of Hong Kong’s small and medium enterprises (“SMEs”) and industries, assisting Hong Kong enterprises in exploring overseas markets, consolidating and enhancing good relations with trading partners, promoting bilateral and regional economic and trade, and promoting trade and investment liberalization and facilitation.

Employment terms and recruitment of Commission for Industry

11. Members expressed concern about whether the remuneration package offered by the Administration for C for I would suffice to attract talent with the required background and experience to apply. Some members suggested that the Administration involve relevant experts in the recruitment process to assess the

¹ The Government launched the online platform of the Talents Service Unit (“TSU”) on 28 December 2022 to facilitate overseas talent in obtaining information on various talent admission schemes and submitting applications. The TSU online platform provides one-stop electronic services and all kinds of practical information, including development opportunities, details of various talent admission schemes, as well as information on the necessities of living in Hong Kong.

professional qualifications and experience of candidates. The Administration advised that it believed that industry talent with relevant professional background and experience would be willing to join the Government to serve Hong Kong. Taking into account of Members' views on the post of C for I, the Administration would conduct the recruitment in accordance with the established civil service recruitment process.

Launching the “Research, Academic and Industry Sectors One-plus Scheme”

12. The Administration briefed members at the meeting on 21 March 2023 on the proposed launch of a \$10 billion “Research, Academic and Industry Sectors One-plus Scheme” (“RAISE+ Scheme”) under ITF, which was designed to promote collaboration among the Government, industry, academia and research sectors to accelerate commercialization of R&D outcomes. Members supported the proposed RAISE+ Scheme, which was approved by the Finance Committee on 9 June 2023.

13. Members noted that the RAISE+ Scheme was different from the InnoHK Clusters. The establishment of the InnoHK Clusters aimed to promote collaboration between world-renowned local and non-local universities and research institutions to set up research laboratories for R&D work, and commercialize R&D outcomes in the future, with a view to developing Hong Kong into a global research collaboration hub. The target of the RAISE+ Scheme was to encourage local universities to transform original breakthrough R&D outcomes which had reached a certain “Technology Readiness Level” to products or services for entry into the commercialization stage. The effectiveness of the RAISE+ Scheme could be measured by such performance indicators as intellectual property (“IP”) derived from R&D of university teams, products or services commercialized successfully, and the number of start-ups established by research teams. Participation or investment of private companies in R&D projects and technopreneur activities, along with the I&T jobs created accordingly, could also reflect the scheme's effectiveness.

Equity, profit and intellectual property of funded start-ups

14. Members suggested that the Administration might receive shares of start-ups established by teams funded by the RAISE+ Scheme, or future profits from project outcomes. Moreover, members suggested that the Administration provide other types of funding for such start-ups to continuously cater for their needs in different development stages. The Administration explained that as the target of the launch of the RAISE+ Scheme was to facilitate the formation of a platform for collaboration among the “industry, academia and research sectors”, and promote universities to transform R&D outcomes in products or services, it did not intend to take up any shares or profits of such start-ups. As for support

other than the RAISE+ Scheme, the Administration added that there were different funding schemes under ITF administered by the Innovation and Technology Commission (“ITC”) (such as the Enterprise Support Scheme and Research Talent Hub) to assist local enterprises (including start-ups) in conducting R&D. The Hong Kong Science Park (“HKSP”) and the Cyberport had also launched different Incubation Programmes to support the development of start-ups.

Funding amount and matching method

15. To encourage the industry to participate in the RAISE+ Scheme, members suggested that the Administration facilitate the matching of university research teams with private companies for conducting R&D projects. Some members suggested that the RAISE+ Scheme should include projects with lower funding amounts, and put in place more streamlined application and approval mechanisms for projects under this group, and increase the number of invitations of applications each year so that more applications could be processed.

16. The Administration advised that the Technology Start-up Support Scheme for Universities (“TSSSU”) under ITF supported universities, public and private research institutes or enterprises in conducting R&D projects. The Administration also encouraged greater R&D collaboration and exchange among local, Mainland and overseas universities to further enhance Hong Kong’s I&T ecosystem. To avoid overlapping with TSSSU, the RAISE+ Scheme only funded projects with minimum funding amount of \$20 million. As for the number of invitations of applications each year under the RAISE+ Scheme, the Administration advised that it had conducted preliminary consultation with the universities concerned on the operational arrangements, and the latter agreed that it would be appropriate to invite two to three rounds of applications in the first two years.

Hong Kong Productivity Council

17. Promulgated in March 2021, the “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035” (“the 14th Five-Year Plan”) clearly specifies the new direction of Hong Kong’s I&T development. At the meeting on 16 May 2023, members exchanged views with the Administration and the Hong Kong Productivity Council (“HKPC”) on HKPC’s work in complementing the 14th Five-Year Plan and the development directions set out in the I&T Blueprint of the SAR Government.

Promoting the application of intelligent manufacturing technologies

18. Members noted that HKPC and the Fraunhofer Institute for Production Technology of Germany had jointly implemented the “Industry 4.0 Upgrade and Recognition Programme” to assist Mainland and Hong Kong enterprises in applying intelligent manufacturing technologies to their production. Members expressed concern about how local workers could benefit from the use of Industry 4.0 technologies by enterprises for intelligent manufacturing. HKPC advised that the setting up of smart production lines locally by more Hong Kong enterprises could create jobs in the manufacturing industry and promote Hong Kong’s overall economic development, which could also benefit the business of other professional service sectors.

Training technology talent

19. Members noted that under the New Industrialisation and Technology Training Programme, the Administration funded local enterprises on a 2(Government):1(Enterprise) matching basis for their staff to receive training in advanced technologies, especially those related to Industry 4.0. HKPC was one of the providers of the approved training programmes under the Reindustrialisation and Technology Training Programme, which offered various approved training programmes covering big data analytics, artificial intelligence (“AI”), the third generation Internet (Web 3.0), digital marketing as well as environmental, social and governance.

Intellectual property of research and development outcomes

20. Members had discussed whether the Administration should allow scientific research personnel of HKPC to start their own business with the IP of their R&D outcomes for commercialization of R&D outcomes. The Administration advised that HKPC mainly assisted local enterprises in enhancing their technological know-how. The technology successfully developed by HKPC would be made available to the industry through technology licensing agreements.

Work in complementing the Guangdong-Hong Kong-Macao Greater Bay Area development

21. Members enquired how HKPC would support Hong Kong enterprises, including providing support of professional services in legal, taxation, accounting, etc., in brand building and tapping into the Mainland market to better cater to the need of the national development plan. The Administration advised that HKPC set up the “InnoPreneur GBA Network”, a one-stop interacting platform for members’ communication and exchange on the latest technology applications, industry pain points and innovative ideas, and related activities were conducted to

share go-to market strategies and success stories in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”). HKPC also worked with Mainland authorities and public organizations to promote various support programmes to Hong Kong enterprises to help them tap into the GBA market.

22. Some members suggested that HKPC step up efforts in promoting and encouraging the adoption of the GBA Standards recently announced by the Guangdong Administration for Market Regulation by industries in Hong Kong, and introduce the relevant testing and certification services, so as to help establish GBA Standards as a brand, thereby facilitating Hong Kong brands in entering the GBA market.

Hong Kong Science and Technology Parks Corporation

23. The Hong Kong Science and Technology Parks Corporation (“HKSTPC”) is positioned to provide infrastructure facilities and support services for I&T development in Hong Kong. HKSTPC manages and operates HKSP, the InnoCentre and the three InnoParks. HKSP and the InnoCentre mainly provide R&D space and relevant ancillary facilities for enterprises. The three InnoParks promote the development of advanced industries and new industrialization through the provision of specialized industrial buildings and the granting of land to suitable tenants and grantees. Members received a briefing by the Administration on the developments of HKSP and InnoParks at the meeting on 14 July 2023.

Better utilization of the sites of the Hong Kong Science Park and its facilities

24. Members expressed concern about the occupancy position of HKSP and the specialized highly-efficient industrial buildings in various InnoParks. Members pointed out that the occupancy position of the Advanced Manufacturing Centre (“AMC”) and the Data Technology Hub (“DT Hub”) in the Tseung Kwan O InnoPark was unsatisfactory, and enquired about the Administration’s strategy to increase the occupancy rate of the facilities, or whether it would consider converting vacant sites for medical product manufacturing and using DT Hub for the development of an AI supercomputing centre.

25. The Administration advised that HKSTPC would advise the enterprises on the suitable facilities to be leased having regard to their needs and industry characteristics. The Administration expected an improvement of the occupancy rate in the coming two years. HKSTPC would actively collaborate with OASES and Invest Hong Kong (“InvestHK”) to encourage local and overseas enterprises to establish a presence in DT Hub and AMC. In respect of DT Hub, quite a number of enterprises were studying the establishment of a data industry park in Hong Kong. As HKSTPC would select suitable enterprises for admission to DT

Hub, it was not appropriate to convert DT Hub for the development of an AI supercomputing centre at this stage.

26. Members expressed concern that a number of sites in the three InnoParks had still been left vacant for more than 10 years and enquired how the Administration would better utilize the InnoParks to promote the development of the I&T industry. HKSTPC advised that it was now inviting enterprises that aligned with the development mode of new-industrialization to submit tenders or expression of interest for the vacant sites concerned.

Strategy to attract enterprises to move into the park

27. Members enquired about the Administration's strategy to attract enterprises to move into the three InnoParks. HKSTPC advised that regarding the development of Microelectronics Centre ("MEC") in the Yuen Long InnoPark, it had proceeded with the open tender process to select suitable tenants. In addition, HKSTPC would actively identify more sites for the construction of specialized multi-storey and highly-efficient industrial buildings and the development of MEC, thereby enabling more enterprises to establish a presence in MEC for industry development.

Future development of the Hong Kong Science Park

28. Regarding how HKSP could support the development of Hong Kong's I&T enterprises, some members pointed out that the Administration could require various policy bureaux to adopt at least four solutions or products of enterprises in HKSP each year. Noting that HKSTPC was a statutory body established to support the development of technology in Hong Kong, members asked whether the Administration would consider amending the relevant legislation to expand the business scope of HKSTPC to tie in with the target of implementing new industrialization in Hong Kong and facilitating commercialization of R&D outcomes.

29. The Administration advised that at present, different departments were actively collaborating with HKSTPC to use such products according to their needs, so as to enhance various government services, while the business scope, powers and obligations of HKSTPC were clearly set out in the existing legislation, and the Ordinance also provided the flexibility to facilitate HKSTPC in promoting new industrialization.

Setting up branches in Mainland cities or overseas

30. Noting the SAR Government's collaboration with the Shenzhen Municipal People's Government to establish the Hong Kong-Shenzhen Innovation and

Technology Park (“HSITP”), members asked whether the Administration had any plan to set up branches in Mainland cities other than Shenzhen, or overseas. HKSTPC advised that it was studying the feasibility of setting up branches in different regions, including Nansha, Qianhai, Suzhou and the Yangtze River Delta. Based on the experience gained in developing the branch in Futian District, HKSTPC would explore with the Government the feasibility of setting up branches in other districts.

31. To support the development of enterprises at the Lok Ma Chau Loop (“the Loop”), members suggested that the Administration explore integration policies with the Mainland and provide more facilitation measures, so as to attract more enterprises to establish a presence in HSITP and deepen collaboration between the two places. The Administration advised that it would enhance policy connectivity and the flow of innovation elements (including the flow of people, goods and information), explore ways to strengthen the synergy of various policies between Mainland and Hong Kong, and fully utilize Hong Kong’s advantages as a platform to “attract foreign investment” and “go global”, thereby assisting enterprises that had established a presence at the Loop in aligning with the development of the industry chain in GBA.

Hong Kong Science and Technology Parks Corporation’s work on nurturing innovation and technology talent

32. On nurturing I&T talent, members considered that HKSTPC should review the situation of participants joining the I&T industry upon completion of various programmes for nurturing I&T talent, and consider regularizing the “Youth Start-up Internship Programme 2022”, or even extending it to the Shenzhen Branch of HKSP, so as to give participants an understanding of the work environment in GBA. Some other members suggested that HKSTPC should enhance the training of technical personnel of various levels required for the development of new industrialization, and consider nurturing managerial talent with strong capabilities in business promotion to enable commercialization of R&D outcomes in Hong Kong.

33. HKSTPC advised that most of the participants chose to pursue a career in the I&T industry upon completion of the nurturing programmes. The Administration added that nurturing managerial talent with strong capabilities in business promotion was one of HKSTPC’s development directions, and it would nurture talent through various programmes to expand the I&T talent ecosystem in Hong Kong. As to whether the “Youth Start-up Internship Programme 2022” would be regularized, the Administration advised that this matter had to be examined by the Home and Youth Affairs Bureau.

34. Members enquired about the effectiveness of HKSTPC's recruitment of talent from the Mainland and overseas. HKSTPC advised that its exercise for attracting enterprises and quality talent in the Mainland, the United States, Malaysia, etc. was well received. HKSTPC would further explore providing accommodation support to make it more attractive for overseas talent to work in Hong Kong, and would step up collaboration with local secondary schools and tertiary institutions to nurture more I&T talent.

Measures for supporting small and medium enterprises

35. Members discussed the Administration's measures to support and assist enterprises in Hong Kong at the meetings on 21 March 2023 and 27 June 2023.

SME Financing Guarantee Scheme

36. Members pointed out that the application procedure of SME Financing Guarantee Scheme took a long time, and urged the Administration to review the situation in order to expedite assistance provided to SMEs in resolving capital flow problems. Some other members expressed concern about cases of applications for loans by fraudulent means, and the enforcement actions taken by the Administration against such cases.

37. HKMC Insurance Limited ("HKMCI") advised that in general, over 80% of applications could be approved by HKMCI within five working days. HKMCI would maintain communication with participating lending institutions ("PLIs") to process applications received as soon as possible. It would carry out random checks on loan applications processed by PLIs to monitor compliance with the approving criteria. Suspected fraudulent cases would be referred to law enforcement agencies.

Export credit insurance

38. Members expressed concern that it was difficult for local enterprises to obtain export credit insurance when expanding in the Mainland domestic sales market, and urged the Hong Kong Export Credit Insurance Corporation ("ECIC") to provide more export credit insurance products targeting the domestic sales market. ECIC advised that to enhance support for Hong Kong exporters to develop the domestic sales market, it promoted a "risk-sharing arrangement on domestic sales in the Mainland" in collaboration with local banks, under which both parties would equally share the relevant Mainland buyers' non-payment risks, thereby strengthening the confidence and protection of Hong Kong exporters in expanding into the domestic sales market. Meanwhile, to further expand into the Mainland market, ECIC was discussing with banking institutions, Mainland counterparts and credit agencies on means to better access credit

information of Mainland buyers, so as to strengthen the confidence of Hong Kong exporters in expanding into the Mainland market.

Dedicated Fund on Branding, Upgrading and Domestic Sales

39. On the Dedicated Fund on Branding, Upgrading and Domestic Sales (“BUD Fund”), members suggested that the Administration further expand the geographical coverage to, in particular, the Belt and Road countries and seek to enter into Free Trade Agreements (“FTAs”) with more economies. The Administration responded that the geographical coverage of BUD Fund would automatically cover the economies which would enter into new FTAs and/or Investment Promotion and Protection Agreements with Hong Kong in the future, and it had already implemented a series of enhancement measures for BUD Fund to facilitate the submission of applications by enterprises.

40. Members noted that the 2023-2024 Budget proposed injecting \$500 million into BUD Fund to implement an enhancement measure “BUD Easy” to help SMEs raise their competitiveness,² so as to expedite the vetting and approval of applications involving a funding amount of \$100,000 or below and help SMEs raise their competitiveness. Members supported the proposal and urged the Administration to actively listen to the views of the trade and make appropriate adjustments in reviewing the operation and implementation of “BUD Easy”, and to consider implementing similar simplified application procedures for other funding schemes provided for SMEs.

41. Members advised that there were quite a number of intermediaries in the market providing services to assist SMEs in applying for BUD fund. Members suggested that the Administration should provide SMEs with a list of intermediaries which had helped SMEs succeed in applications, so that they would be able to choose suitable intermediaries. The Administration stressed that SMEs could apply for BUD Fund on their own without having to do so through intermediaries. A series of measures had been introduced to facilitate enterprises in submitting applications, and HKPC also provided free one-on-one consultation services to enterprises to answer enquiries relating to application, so that enterprises could plan projects and submit applications by themselves.

SME Centre, “BIZ Expands Easy” online platform and “SME Link”

42. Members urged the Administration to enhance SMEs’ understanding of the Government’s various support measures to facilitate better utilization of various

² The approval of LegCo for the proposed injection of \$500 million into BUD Fund was sought in the context of the Appropriation Bill 2023. The Bill was passed at the Council meeting of 3 May 2023.

funding schemes by, among others, setting up a one-stop website integrating all information on government funding schemes and stepping up support for SMEs in applying for suitable funding schemes.

43. The Administration advised that it had consolidated the services of the four SME centres, namely the “Support and Consultation Centre for SMEs” under TID, the “SME Centre” under the Hong Kong Trade Development Council (“TDC”), the “SME One” under HKPC and the “TecONE” under HKSTPC, to provide “4-in-1” integrated services, so that SMEs could receive consultation and referral services in any one of the above centres.

44. In addition, HKPC had launched a one-stop online platform “BIZ Expands Easy”, which provided information on 10-odd government funding schemes implemented by HKPC, to assist SMEs in applying for suitable funding schemes. TID had also launched a one-stop web portal “SME Link”, whereby SMEs could access comprehensive information and support services, including information on various government funding schemes and SME support services, from a single online platform.

“SME ReachOut”

45. Members noted that “SME ReachOut”, run by HKPC, assisted SMEs in identifying suitable funding schemes and addressing questions related to applications, applying for various government funding, as well as building their capacities to enhance their competitiveness through leveraging new technologies. Moreover, it was proposed in the 2023-2024 Budget that a total of \$100 million would be allocated to HKPC for strengthening the services of its “SME ReachOut” in the next five years.³ Members welcomed the proposal, and urged HKPC to provide SMEs with more tailored support, particularly one-on-one consultation services. The Administration advised that it would gradually enhance the breadth and depth of the services of “SME ReachOut”, provide more one-on-one consultation sessions, and arrange visits to more chambers of commerce, commercial and industrial buildings and co-working spaces for holding of seminars, so as to promote various government funding schemes.

Hong Kong Trade Development Council’s support measures

46. Members expressed concern about the overall business sentiment and business situation of SMEs. Members considered that the Administration should actively assist SMEs in raising their technological level while stepping up efforts to boost local consumption. Members indicated that TDC should step up support

³ The approval of LegCo for the funding proposal was sought in the context of the Appropriation Bill 2023. The Bill was passed at the Council meeting of 3 May 2023.

for Hong Kong enterprises to promote “Brand Hong Kong” and to expand into the domestic sales market and tap into emerging markets.

47. The Administration advised that it would implement new measures in a timely manner and continue to enhance the existing ones to support SMEs in tapping into new markets and promoting their business. “SME ReachOut” would also expand its services to facilitate enterprises in digital transformation. TDC advised that it would provide free support and advisory services through Transformation Sandbox (“T-box”) to help Hong Kong enterprises achieve upgrading and transformation goals in the areas of branding, e-commerce, manufacturing and supply chain as well as access to new markets.

48. Members also expressed views on TDC’s work on, among others, promoting commercialization of IP and technology transfer, attracting Mainland and overseas exhibitors and buyers to come to Hong Kong to participate in various exhibitions, and promoting Hong Kong’s creative cultural products and licensing transactions of relevant brands. Members suggested that TDC stage international conferences for the publishing industry in parallel with the annual Hong Kong Book Fair, so as to promote industry exchange and development. TDC responded that it had liaised with trade associations of the publishing industry to explore the organization of more activities for industry participation during Hong Kong Book Fair in the future, so as to help foster industry exchange.

49. Members also urged the Administration and TDC to actively promote IP trading between Hong Kong and the Mainland, particularly patents generated by R&D projects of local universities and research institutes. TDC advised that the Asia IP Exchange platform it developed and managed assisted the trades in exploring IP trading opportunities and establishing connection with IP industry players around the globe. TDC would also help promote scientific research projects of local universities to facilitate their business matching with enterprises (including investors or manufacturers) participating in TDC’s events, so as to promote commercialization and productization of patents on universities’ R&D outcomes.

Supporting Hong Kong enterprises to develop the Mainland domestic sales market

Tapping into the Mainland market

50. At the meeting on 18 April 2023, members discussed the Government’s measures to support Hong Kong enterprises to develop the Mainland domestic sales market. Members expressed concern that Hong Kong enterprises still faced certain restrictions in various aspects in entering the Mainland market, and suggested that the Government strive to introduce more liberalization measures

favourable to Hong Kong enterprises under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”). Members also suggested that the Administration explore with the Mainland authorities initiatives to further lower market access thresholds or expand the scope of business operation for Hong Kong enterprises in the Mainland cities of GBA in the form of early and pilot implementation, assist Hong Kong enterprises in accessing cross-boundary financial services and related information, and facilitate the provision of targeted support to Hong Kong enterprises in different sectors.

51. The Administration advised that the Government would discuss with the Mainland authorities to continue to further open up the Mainland market. At present, under the Agreement on Trade in Services of CEPA, certain liberalization measures were implemented on a pilot basis in the nine Mainland cities in GBA, including allowing some Hong Kong professionals to directly register for practice without the need to obtain mutual recognition on professional qualification with the Mainland.

Cross-boundary e-commerce

52. Members suggested that the Administration create a post of Commissioner for E-commerce to take the lead in coordinating efforts to promote the development of e-commerce, and that TDC should set up a dedicated department for promoting cross-boundary e-commerce to strengthen support to Hong Kong enterprises in coping with the development trend of e-commerce.

53. In addition, to facilitate the development of e-commerce, members suggested that the Government discuss with the Mainland authorities the enhanced use of Hong Kong and Macao Residents Entry and Exit Permits (commonly known as “Home Return Permits”) in the Mainland, such as accepting the use of Home Return Permits by Hong Kong residents to register for online services in the Mainland or open accounts of livestreaming platforms.

Research and Development Centres under the purview of the Innovation and Technology Commission

54. At the meeting on 17 October 2023, members noted that the five R&D Centres under the purview of ITC played an important role in creating a vibrant I&T ecosystem. They acted as a focal point for technology collaboration among the Government, industry, academia and research sectors. They not only contributed to the applied research in key areas, but also worked closely with universities and the industry and encouraged investment in R&D from private enterprises in Hong Kong, with a view to enhancing the technological know-how of enterprises and facilitating technology transfer and commercialization.

55. The Administration advised that in 2022-2023, the industry income received (including industry contribution pledged in relation to R&D projects and other sources of financial contribution pledged) of the five R&D Centres saw a significant increase. Considering that the economic situation has stabilized and having regard to the Government's intention to further encourage the R&D Centres to strengthen cooperation with the industry, thereby facilitating the R&D Centres' technology transfer to the industry and commercialization of R&D outcomes, ITC would raise the target on the level of industry income from 30% to 35% from 2023-2024, and subject to steady economic growth, gradually raise the target to 50% in a few years' time.

56. Members urged the R&D Centres to step up efforts to facilitate technology transfer and commercialization of R&D outcomes, and promote the R&D Centres' research outcomes to the industry. The Administration advised that it encouraged the R&D Centres and universities to collaborate with the industry to commercialize the outcomes of universities' basic research and the R&D Centres' applied research through industry application. ITC launched the Innovation Hub@HK website (<https://www.innovationhub.hk/>) in 2022 with the aim of showcasing the R&D outcomes of universities and the R&D Centres in Hong Kong and promoting technology transfer and commercialization of outcomes.

57. Members expressed concern about the staffing situation of research staff of the R&D Centres, and suggested that the Administration put in place measures to attract research talent to come to Hong Kong and retain talent, including supporting the Top Talent Pass Scheme to help match Mainland personnel engaged in the research field with suitable jobs on arrival to Hong Kong; and enabling the research staff concerned to get a share of the income generated from commercialization of R&D outcomes. The Administration advised that the R&D Centres were dedicated to providing suitable platforms in collaboration with the Labour and Welfare Bureau, universities as well as the Mainland and overseas regions, so as to attract top talent to bring with them their techniques and teams to Hong Kong. The Administration also intended to explore relevant incentive mechanism to attract and retain research talent.

58. Members expressed concern about the R&D Centres' arrangements relating to IP and patent management, and suggested that the Administration consider setting up a research IP and patent trading platform and engaging professionals familiar with the technology market, technology transformation, venture capital and marketing to oversee commercialization involving IP and patented designs, which was to be integrated into pilot test platforms available in the market to provide post-R&D and pre-mass production pilot test services for enterprises, thereby promoting commercialization of R&D outcomes.

Testing and certification industry

59. At the meeting on 27 June 2023, the Administration briefed members on the development of Hong Kong's testing and certification ("T&C") industry. Members urged the Administration to actively develop Hong Kong into a professional T&C services hub, and assist local T&C bodies in promoting and conducting testing work in the Mainland. The Administration advised that its vision was to develop Hong Kong into a T&C hub in the region, committed to facilitating collaboration among stakeholders to explore new business opportunities in different fields. For instance, under the latest amendment agreement to CEPA, new liberalization measures included allowing T&C bodies in Hong Kong to cooperate with designated Mainland certification bodies to undertake testing for products requiring China Compulsory Certification. The Administration would step up promotion efforts to promote the strengths of local T&C services to potential users in the Mainland and overseas, thereby developing Hong Kong into a professional T&C services hub.

60. Members expressed concern about the demand, supply and training of talent for the T&C industry, and suggested that the Administration explore the establishment of a mutual recognition system for qualifications and standards in respect of the T&C industry, so that Hong Kong people's professional qualifications could be recognized in the Mainland. The Administration advised that it would continue to assist the industry in attracting talent, such as participating in career fairs to introduce career options and career advancement paths in the industry, organizing career talks and laboratory visits for secondary school and tertiary students, and providing internship opportunities for students by matching them with various bodies. In addition, higher educational institutions also offered industry-related courses to cultivate new talent for the industry. The Administration further advised that some professional bodies had entered into mutual recognition arrangements with their Mainland partners. Hong Kong people with the recognized professional qualifications could register with the relevant Mainland professional bodies under the mutual recognition arrangements.

Trade Single Window

61. At the meeting on 21 March 2023, members received a briefing by the Administration on the latest progress of the development of the Trade Single Window ("TSW") in Hong Kong, and they supported the establishment proposal⁴ to retain two supernumerary directorate posts (i.e. Principal Assistant Secretary (Single Window) and Chief Systems Manager (Single Window)) in the Single

⁴ The proposal was discussed at the meeting of the Establishment Subcommittee on 5 May 2023, and approved by the Finance Committee on 2 June 2023.

Window Project Management Office in the Commerce and Economic Development Bureau up to 31 March 2028 to continue overseeing the implementation of TSW.

62. Members expressed concern about the timetable for implementing Phase 3 of TSW, and urged the Administration to endeavour to ensure that the project could be completed on time as scheduled, and to step up publicity and promotion of TSW to the public to encourage take-up by the trading community. The Administration advised that Phase 3 of TSW was the final and most complex phase, which would cover Import and Export Declaration, Advance Cargo Information, Cargo Manifest and Cargo Report in respect of different transport modes, and applications for the Certificate of Origin and Permit for Dutiable Commodities. The Administration would endeavour to ensure the timely completion of the implementation of TSW.

63. Members also expressed concern about whether TSW could interface with the single windows of other economies or commercial systems. The Administration advised that the Phase 3 information technology system of TSW would have the technical capabilities to interface with the single windows of other economies or commercial systems when necessary. The Administration would also explore the feasibility of various trade facilitation measures.

Implementation of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks in Hong Kong

64. At the meeting on 18 April 2023, members received a briefing by the Administration on the legislative proposals to make new rules under the Trade Marks Ordinance (Cap. 559) and amend the Trade Marks Rules (Cap. 559A) to set out the detailed procedures and rules for the future implementation of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (“Madrid Protocol”) in Hong Kong. Members noted that the Madrid Protocol sought to provide an international trade mark registration system which facilitated trade mark owners to seek trade mark protection in multiple designated jurisdictions concurrently through a one-stop process by filing a single application with and paying one set of fees to the International Bureau of the World Intellectual Property Organization. This greatly simplified the registration process without requiring the trade mark owners to file individual applications for registration of trade marks and manage their trade marks separately in different jurisdictions as before. The Administration advised that the implementation of the Madrid Protocol in Hong Kong implied that Hong Kong’s trade mark regime was brought on par with international developments, which could enhance the reputation of Hong Kong’s trade mark regime in the international community and Hong Kong’s competitive edge in developing IP trading in the region.

65. Members expressed concern about whether the Intellectual Property Department's staffing establishment would be able to cope with the additional workload upon the implementation of the Madrid Protocol in Hong Kong. The Administration advised that while implementing the Madrid Protocol, the current operational workflow for domestic trade mark registration would be enhanced and the fees for trade mark applications would be adjusted to facilitate trade mark applicants, and the workload would also be rationalized. Given that some overseas applicants would designate Hong Kong instead as the place where trade mark protection was being sought through the international trade mark registration system upon the implementation of the Madrid Protocol, the Government expected that the overall trade mark caseload might not increase significantly in the initial stage of the implementation of the Madrid Protocol. The Administration would closely monitor future growth in the trade mark caseload, and deploy staff or apply for additional resources in accordance with the procedures when necessary.

66. Members urged the Administration to consider formulating measures in relation to a system for mutual recognition of trade marks between the Mainland and Hong Kong for mutual recognition and integrated development. The Administration explained that trade mark rights were territorial in nature and were granted independently by different jurisdictions according to their own laws and practices. Different countries or regions would examine applications for trade mark protection according to their own laws, and there was no direct reciprocal recognition of IP registration granted by other jurisdictions. However, facilitation measures on cross-boundary IP protection could be implemented through bilateral or multilateral arrangements. The Administration would continue to explore the feasibility with the Central Government of providing facilitation measures for cross-boundary applications for trade mark registration.

Investment facilitation

67. At the meeting on 16 May 2023, members received a briefing by the Administration on the discussions on investment facilitation initiatives in the World Trade Organization ("WTO") and the Asia-Pacific Economic Cooperation ("APEC"). In respect of the Agreement on Investment Facilitation for Development ("IFD Agreement") proposed by WTO, members enquired about the benefits for Hong Kong after the implementation of the Agreement.

68. The Administration advised that Hong Kong was an open and externally-oriented economy, and globally one of the top host economies by foreign direct investment ("FDI") inflows and origin of FDI outflows. When brought into force in the future, the IFD Agreement would help create a more favourable, predictable and efficient business environment for global investors. Hong Kong

could continue to attract, expand and retain FDI flows, while local investors who conducted FDI activities abroad (including the Belt and Road Initiative) could also benefit.

69. Members expressed concern about whether the relationship between the Mainland and other APEC member economies would have any impact on Hong Kong, China (“HKC”)’s participation in APEC’s work on investment facilitation amidst the complex geopolitical environment in recent years.

70. The Administration advised that APEC had been facilitating investments to flow seamlessly for the greatest benefits in the region. Member economies agreed to collectively promote the flow of quality investments through work on investment facilitation and liberalization. HKC would continue to cooperate with like-minded member economies and engage constructively in relevant discussions in APEC to advance investment facilitation.

Construction of convention and exhibition facilities

71. At the meeting on 14 July 2023, members received a briefing by the Administration on the proposal of the reprovisioning of Kong Wan Fire Station (“KWFS”) to pave the way for the Wan Chai North Redevelopment project for the construction of convention and exhibition (“C&E”) facilities, hotel and Grade A offices to develop Wan Chai North into a C&E hub in Asia. Members supported the proposal.⁵ Members were particularly concerned about the heavy traffic in the vicinity of Wan Chai North, and the constant congestion of local traffic especially during large C&E activities held at the Hong Kong Convention and Exhibition Centre (“HKCEC”). Members enquired whether the reprovisioning of KWFS would cause any change to the performance in responding to fire calls or emergency ambulance calls compared to the current level.

72. The Administration advised that the proposed reprovisioning site of KWFS was just a few hundred metres away from the existing site. The Fire Services Department had run simulation calculation through its mobilizing system and confirmed that after the reprovisioning of KWFS, its performance in responding to fire calls or emergency ambulance calls would remain unchanged compared to the current level.

73. Members expressed concern about the provision of C&E facilities in Hong Kong, particularly the timetable for the Wan Chai North Redevelopment project, and suggested that C&E facilities under the Wan Chai North Redevelopment

⁵ The proposal was discussed at the meeting of the Public Works Subcommittee on 25 October 2023, and approved by the Finance Committee on 17 November 2023.

project be seamlessly connected to HKCEC to facilitate the movement of participants of C&E activities. The Administration advised that the entire Wan Chai North Redevelopment project was expected to be completed by 2034. The design of the project had yet to be finalized, with a preliminary option to provide a footbridge connecting to HKCEC.

Promotion of inward investment

74. At the meeting on 17 October 2023, members received a briefing by the Administration on the work of InvestHK. Members noted that InvestHK offered one-stop customized support services from the planning to implementation stages to enterprises interested in setting up and expanding their businesses in Hong Kong. The services offered included the provision of market intelligence and guidance on relevant laws and regulations for the sector concerned, facilitation of visa and licence applications, details on funding and other support measures, as well as introduction to business partners and service providers, such as banks. In addition, InvestHK assisted companies established in Hong Kong in evaluating new growth areas and opportunities ahead through aftercare support, so as to facilitate their business expansion in Hong Kong.

75. Members suggested that the Administration should step up efforts to attract enterprises from emerging markets (e.g. the Belt and Road countries) to set up businesses in Hong Kong. The Administration advised that InvestHK set up consultant offices respectively in Nairobi of Kenya, Africa and Almaty of Kazakhstan, Central Asia in the second half of 2022, and actively organized trade promotion activities there. In addition, InvestHK would also focus on stepping up investment promotion efforts in the Association of Southeast Asian Nations and Middle East regions.

76. Members noted that InvestHK had seconded 15 experienced investment promotion officers to OASES temporarily. Members enquired about the division of responsibilities between OASES and InvestHK in respect of attracting businesses and investment, and whether InvestHK's work would be affected as a result of reduction in manpower. The Administration advised that OASES would attract high-potential and representative strategic enterprises from around the globe, particularly those from industries of strategic importance, such as life and health technology, AI and data science, Fintech, and advanced manufacturing and new energy technology. InvestHK was responsible for attracting and supporting other overseas and Mainland enterprises to set up and expand their businesses in Hong Kong. InvestHK had suitably redeployed resources to minimize the impact brought to its investment promotion work.

Other issues

77. The Panel was also briefed on the work of the overseas Hong Kong Economic and Trade Offices and the Offices of the Government of the Hong Kong Special Administrative Region in the Mainland, and consulted on the proposed re-structuring of OASES during the 2023 session.

Meetings held

78. During the period between January and November 2023, the Panel held a total of eight meetings. The Panel has scheduled another meeting on 19 December 2023 to receive a briefing by the Administration on the proposal to provide patent box tax incentive to eligible profits derived from patents, and the establishment of the Hong Kong Microelectronics Research and Development Institute.

Council Business Division 1 and Public Complaints Office

Legislative Council Secretariat

4 December 2023

Legislative Council

Panel on Commerce, Industry, Innovation and Technology

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

Panel on Commerce, Industry, Innovation and Technology

Membership list for the 2023 session

Chairman Hon Jimmy NG Wing-ka, BBS, JP

Deputy Chairman Dr Hon TAN Yueheng, JP

Members Hon Jeffrey LAM Kin-fung, GBS, JP
Hon MA Fung-kwok, GBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Hon SHIU Ka-fai, JP
Hon LAU Kwok-fan, MH, JP
Hon Robert LEE Wai-wang
Dr Hon Johnny NG Kit-chong, MH, JP
Hon Duncan CHIU
Dr Hon Wendy HONG Wen
Hon Dennis LEUNG Tsz-wing, MH
Hon Edward LEUNG Hei
Hon Sunny TAN
Dr Hon Kennedy WONG Ying-ho, BBS, JP
Hon Edmund WONG Chun-sek
Hon Kenneth FOK Kai-kong, JP
Hon Adrian Pedro HO King-hong
Hon SHANG Hailong
Prof Hon William WONG Kam-fai, MH

(Total: 20 members)

Clerk Mr Daniel SIN

Legal Adviser Ms Doreen WAN