

## **LegCo Panel on Commerce and Industry**

### **Policy Agenda of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau**

This paper outlines the initiatives related to the Commerce, Industry and Tourism Branch and Innovation and Technology Commission of the Commerce and Economic Development Bureau under the 2011-12 Policy Agenda.

#### **Part I : Commerce, Industry and Tourism Branch**

##### *Developing the Infrastructure for Economic Growth*

##### **New Initiative**

***Initiative:** Set up a five-year dedicated fund of \$1 billion to support Hong Kong enterprises in developing their brands, promoting domestic sales and upgrading and restructuring their operation in the Mainland, so as to help them capture the opportunities arising from the National 12th Five-Year Plan.*

##### **On-going initiative**

***Initiative:** Working closely with the trade to facilitate the latter to adapt to the Mainland's policy adjustments, to facilitate them to upgrade, restructure and relocate their operation, to develop new markets, as well as to reflect their views to the Mainland authorities.*

2. This year marks the beginning of the implementation of the National 12th Five-Year Plan. In the National 12th Five-Year Plan, the Central Government clearly indicates that it supports Hong Kong to reinforce and enhance our status as an international centre for financial services, trade and shipping, and develop industries where we enjoy clear advantages; supports the continued implementation of the “Mainland and Hong Kong Closer Economic Partnership Arrangement” (CEPA); and

affirms the significant functions and positioning of Hong Kong's co-operation with Guangdong, including the development of an advanced manufacturing and modern services base and the opening up of the Guangdong market under "early and pilot measures" to Hong Kong's service industries. For the implementation of the 12th Five-Year Plan, Mr LI Keqiang, Vice-Premier of the State Council, announced in August during his visit to Hong Kong a series of policy measures to support the further development and strengthening of the economic, trade and financial collaboration between the Mainland and Hong Kong.

3. The Hong Kong business sector has invested in a large number of manufacturing operations in the Mainland, especially in the Guangdong province, many of which are in the processing trade. The National 12th Five-Year Plan emphasises expanding domestic demand, as well as upgrading and restructuring. Vice-Premier LI Keqiang also stressed that the Central Government supports the stable growth, upgrading and restructuring of the Hong Kong enterprises engaging in processing trade in the Mainland. The policy measures include continuing to maintain a stable policy on processing trade, establishing a sound mechanism to facilitate the domestic sales of processing trade, and encouraging Hong Kong enterprises engaging in processing trade to upgrade and restructure.

4. The HKSAR Government has all along been maintaining a close dialogue with the trade through various channels, including the Task Force to Support the Processing Trade, so as to understand their concerns and views relating to upgrading and restructuring, and promoting domestic sales. We also maintain close liaison with various Mainland authorities to reflect the concerns and views of Hong Kong enterprises about their operations in the Mainland, and to discuss with them possible support measures for the trade. Moreover, we provide assistance to the trade, in particular small and medium enterprises (SMEs), through various funding schemes. Through supporting various organisations such as the Hong Kong Trade Development Council (TDC), the Hong Kong Productivity Council and trade associations, we also provide Hong Kong enterprises with Mainland market information, and support services on technological upgrading, management improvement, branding and market development, etc.

5. Looking ahead, in addition to the above areas of work, our Economic and Trade Offices in the Mainland (Guangdong, Chengdu and Shanghai) will also collaborate with other supporting organisations (e.g. trade associations) to organise more promotional activities in second-tier Mainland cities. These activities will focus on promoting Hong Kong brands/products and supporting Hong Kong enterprises to tap the Mainland domestic market, in order to assist them to establish brand image and enhance brand awareness. Moreover, to assist Hong Kong enterprises in capturing the opportunities arising from the National 12th Five-Year Plan, we propose to set up a dedicated fund of \$1 billion to support them in developing their brands, promoting their products in the Mainland domestic market, as well as restructuring and upgrading their operations in the Mainland. Our initial thinking on the scope for the proposed fund is as follows:

- (a) for individual enterprises to develop their brands, promote their products in the Mainland market; and to put forward and implement practicable proposals to restructure and upgrade their business operations in line with the industrial restructuring and upgrading policies in the Mainland. Each funded enterprise has to bear no less than 50% of the project cost; and
- (b) for non-profit-distributing support organisations (such as industrial and trade organisations, professional bodies, etc.) to launch large-scale projects to assist Hong Kong enterprises in general or in specific sectors in developing their brands, tapping the Mainland domestic market, and enhancing their overall productivity in the Mainland.

6. We will draw up the implementation details as soon as possible and liaise with the trade and relevant organisations in the next few months. We plan to submit the funding application to the Finance Committee of the Legislative Council in the first half of 2012.

## **New Initiative**

***Initiative: Review the Patent System to ensure that it continues to meet present-day circumstances and is commensurate with our efforts to develop Hong Kong into a regional innovation and technology hub, and announce the proposed way forward in the first half of 2012.***

7. To ensure that our patent system continues to meet present-day circumstances and that its future positioning is in alignment with our vision of developing Hong Kong into a regional innovation and technology hub, we have embarked on a comprehensive review of the system. We issued a consultation paper and established an advisory committee in early October to gauge the views of the public and stakeholders on the future positioning of the system. Having regard to the views of the public and stakeholders, we intend to publish the proposed way forward in the first half of 2012.

## **On-going initiatives**

***Initiative: Participating actively in the work of the World Trade Organization (WTO) to bring about continual trade liberalisation and to promote and protect the trade interest of Hong Kong.***

8. The multilateral trading system embodied in the WTO is the cornerstone of Hong Kong's external trade policy. Hong Kong participates actively in the WTO to secure maximum market access for Hong Kong's exports of goods and services to international markets.

9. Among other efforts to contribute to the Doha Development Agenda (DDA) negotiations of the WTO:

- Hong Kong, together with 12 other economies<sup>1</sup>, issued an open letter on 15 April 2011 as a collective appeal to all WTO Members to show further flexibilities and to contribute to the early and successful conclusion of the negotiations.

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<sup>1</sup> The 12 economies included Australia, Chile, Colombia, Costa Rica, Indonesia, Korea, Malaysia, Mexico, New Zealand, Norway, Singapore and Switzerland.

- The then Acting Secretary for Commerce and Economic Development attended an Informal Ministerial Meeting on DDA held on 26 May 2011 in Paris. All participating Ministers<sup>2</sup> reaffirmed their commitment for a successful outcome of the Doha Round.

10. Notwithstanding our efforts and in spite of the renewed commitments and encouragements from G20 and Asia-Pacific Economic Cooperation economies, and intensified work by WTO Members, there has been very little progress in the DDA negotiations.

11. The WTO Eighth Ministerial Conference (MC8) will be held from 15 to 17 December 2011 in Geneva, Switzerland. WTO Members are expected to focus on advancing the regular programme of the WTO and mapping out a post-MC8 work programme for the DDA negotiations.

12. We will continue to work closely with other WTO Members to find a path forward for an early and successful conclusion of the DDA negotiations.

***Initiative: Encouraging more enterprises from the Mainland, Taiwan and the emerging markets including Southeast Asia, Russia, India, the Middle East and South America to invest in Hong Kong and helping our enterprises tap the business opportunities in these markets; and strengthening aftercare services and support to those enterprises already established here to encourage them to upgrade their presence.***

13. In 2010 and the first half of 2011, Invest Hong Kong (InvestHK) has respectively completed 284 and 198 overseas, Mainland and Taiwan investment projects. In 2011, InvestHK has conducted a series of investment promotion seminars in high growth cities across the Mainland. These include Suzhou, Tianjin, Guangzhou, Changsha, Shijiazhuang, Shantou, Qingdao, Xiamen, Ningbo, Beijing and Kunming. In the coming year, the Mainland market will remain a priority of our investment promotion work.

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<sup>2</sup> Economies participated in the Informal Ministerial Meeting included Argentina, Australia, Brazil, Chile, China, the European Union, Hong Kong, China, India, Indonesia, Israel, Japan, Korea, Mexico, New Zealand, Norway, South Africa, Switzerland, Turkey, and the United States.

14. InvestHK has stepped up its promotion efforts in attracting more inward investment from Taiwan. These include advertising, organising seminars and conducting company visits. The focuses of the InvestHK's work are on promoting the enduring business advantages of Hong Kong; identifying potential Taiwan investors and providing them with advisory or other support services; and strengthening partnership with the Taiwan representative bodies and business associations in Hong Kong. Looking ahead, InvestHK will continue to maintain close liaison with the Taiwan business community through organising seminars in different cities in Taiwan. It will also reach out to a wider spectrum of Taiwanese enterprises, including those already with a presence in Hong Kong, so as to identify more potential Taiwan investors to set up or expand their businesses in Hong Kong.

15. In view of the growing opportunities arising from the economic growth of emerging markets including Southeast Asia, Russia, India, the Middle East and South America and the anticipated increase in two-way trade and investment flows between these economies and the Mainland, InvestHK has stepped up investment promotion efforts in these emerging markets. For example, in October 2010, InvestHK organised a large-scale promotion event in New Delhi, India. In May 2011, two promotion events were also held in South America, including one in Bogota, Colombia, and another one in Sao Paulo, Brazil. Furthermore, to strengthen the promotion efforts in countries of the Association of Southeast Asian Nations, in early 2011, InvestHK recruited a consultant based in Malaysia and also an investment promotion officer to be stationed in Singapore. InvestHK is also planning to recruit its second consultant in South America in 2012.

***Initiative: Working closely with the Mainland authorities to ensure the smooth and effective implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); and exploring further trade liberalisation and facilitation measures under CEPA, particularly for early and pilot implementation in Guangdong Province to facilitate regional economic integration.***

16. The Central Government announced in mid-August a wide range of measures to support social and economic development in Hong Kong. In respect of trade, it clearly indicates that the Mainland market will be further opened up for Hong Kong services sectors, and sets a target to achieve basically, through CEPA, liberalisation of trade in services between the Mainland and Hong Kong before the end of the National 12th Five-Year Plan period. In the short run, a new Supplement will be signed by the two sides before the end of this year to further liberalise trade in services.

17. The HKSAR Government has started consultations with the Mainland authorities with a view to signing Supplement VIII to CEPA soon. We will also liaise closely with the Mainland authorities on plans for further liberalisation of trade in services in the years ahead.

18. The HKSAR Government also attaches great importance to the effective implementation of CEPA. We will continue to liaise closely with the Mainland authorities at the central, provincial and municipal levels to help address issues encountered by businesses in making use of CEPA measures in the Mainland. We will step up the promotion of CEPA, in order to further familiarise the industries with CEPA measures.

***Initiative : Continuing to support Hong Kong enterprises in the development and promotion of Hong Kong brands to enable them to better compete in the Mainland and overseas markets.***

19. The National 12th Five-Year Plan and the increasing emphasis on domestic consumption in the Mainland have created enormous opportunities for Hong Kong enterprises. Besides, the emergence of new markets and the intensive competition in global markets have rendered it more important for Hong Kong enterprises to develop their brands in order to capture the unprecedented opportunities and meet the challenges ahead. The Hong Kong Economic and Trade Offices in the Mainland and overseas, the TDC and the Hong Kong Tourism Board (HKTB) and other related government departments will step up their efforts to promote the image of Hong Kong and the uniqueness of Hong Kong brands.

20. In parallel, we will strengthen co-operation and communication with relevant organisations to enhance Hong Kong enterprises' awareness and knowledge about brand development. For example, the Trade and Industry Department (TID) and TDC co-organised branding conferences in the past two years to help Hong Kong enterprises explore branding strategies to venture into the Mainland consumer market. TID will continue to organise such conference and partner with different organisations to organise other seminars to enhance the knowledge of Hong Kong enterprises on brand building. We will continue to provide funding through the small and medium enterprises (SMEs) funding schemes to facilitate local enterprises in promoting their brands in the Mainland and other emerging overseas markets. Moreover, to help Hong Kong-invested enterprises in Guangdong enhance credibility of their brands and establish corporate image in the Mainland, the Intellectual Property Department will continue to promote actively to enterprises, trade associations and intellectual property practitioners the Application for Accreditation of Guangdong Provincial Famous Trademarks by HK-invested Enterprises.

***Initiative: Continuing to support Hong Kong enterprises (in particular SMEs) through measures including various funding schemes.***

21. We continue to assist Hong Kong enterprises to secure trade finance, expand market and enhance overall competitiveness through the three SME funding schemes administered by TID.

22. The SME funding schemes have been well-received by the trade since their establishment in 2001. To provide continued support to SMEs, the Chief Executive announced in the Policy Address last year to inject an additional \$1 billion into the SME Export Marketing Fund and the SME Development Fund (i.e. increasing the total commitment for the two funds from \$2.75 billion to \$3.75 billion) in 2011. The Financial Secretary, on the other hand, proposed in the Budget this February to increase substantially the total guarantee commitment under the SME Loan Guarantee Scheme from \$20 billion to \$30 billion. The relevant funding and increase in total guarantee commitment were approved by the Finance Committee of the Legislative Council on 18 July 2011.

23. We will continue to closely monitor and review from time to time the operation of the SME funding schemes and other support measures for the SMEs. We will take into account all relevant factors, including the market situation and the needs of the trade, and make timely adjustments so that appropriate assistance can be provided to the trade.

***Initiative: Further promoting and expanding trade, investment, tourism, cultural and other areas of co-operation between Hong Kong and Taiwan and promoting multi-faceted, multi-level exchanges with Taiwan in a proactive manner through the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council, the Hong Kong-Taiwan Business Co-operation Committee and the Hong Kong Taiwan Cultural Co-operation Committee.***

24. Hong Kong and Taiwan enjoy close economic and trade relations. In 2010, Taiwan was the fourth largest trading partner of Hong Kong, the value of trade between the two places exceeded HK\$290 billion. Among all regions in Asia, Taiwan is the third largest trading partner of Hong Kong, after the Mainland and Japan. In the period from January to July 2011, the total trade value between Hong Kong and Taiwan amounted to over HK\$180 billion, about 10% higher than that of the same period last year. The HKSAR Government is committed to strengthening economic and trade co-operation between the two places in areas such as trade promotion, investment promotion, tourism and goods customs clearance, etc.

25. On tourism, Taiwan is Hong Kong's second largest visitor source market after the Mainland. In 2010, 2.16 million Taiwan visitors came to Hong Kong, representing an increase of 7.7% compared to 2009, amongst which there was an 18% growth in overnight visitors and a 3.2% growth in same-day visitors. On the other hand, 650 000 Hong Kong residents visited Taiwan in 2010, representing a year-on-year increase of 9.5%. The Taipei office of the HKTB came into service on 6 September this year. The formal establishment of the HKTB's Taipei office will help further build up the HKTB's image in Taiwan. The HKTB will also enhance and broaden its promotion of visits to Hong Kong in Taiwan. Apart from promotions in Taipei, it will allocate more resources for tourism promotion in other cities of Taiwan in order to attract more visitors. The HKTB will continue to step up its co-operation with Taiwan's tourism organisations to attract overnight vacation visitors to Hong Kong; actively develop new visitor source markets outside Taipei (such as Taichung and Kaohsiung); and organise special promotions targeting young and family visitors.

26. In terms of investment, as at end of 2009, Taiwan was the thirteenth major source of inward direct investment (IDI) in Hong Kong with an IDI stock of HK\$41 billion; as well as the sixteenth major destination of outward direct investment (ODI) from Hong Kong with an ODI stock of HK\$18 billion. Invest Hong Kong (InvestHK) has been actively conducting investment promotions in Taiwan. It has also maintained close contact with relevant working partners and business associations, and organised various promotion activities to attract Taiwan businessmen to set up business in Hong Kong. InvestHK has also strengthened its connections with Taiwan enterprises in Hong Kong to provide services that they need for business expansion. This year, InvestHK staff has made quite a number of trips to Taiwan, including major cities such as Taipei, Taichung and Kaohsiung, to conduct promotional activities. In August this year, InvestHK and Guangzhou Municipal jointly organised a large-scale seminar in Taipei to promote the business advantages of Hong Kong and the Greater Pearl River Delta region.

27. As for trade promotion, TDC has been actively promoting trade co-operation and exchanges between Hong Kong and Taiwan through organising a number of promotional activities to encourage interactions between Taiwan businessmen and Hong Kong enterprises for the creation of business opportunities. The places where TDC conduct trade promotion activities have also been extended from the previous focal cities of Taipei, Taichung and Kaoshiung to over 10 cities and counties in Taiwan, including New Taipei City, Taoyuan, Hsinchu, Miaoli, Yilan, Hualien, Nantou, Taitung, Changhua, Yunlin, Chiayi and Tainan.

28. In addition, the establishment of the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (ECCPC) and the Hong Kong-Taiwan Business Co-operation Committee (BCC) provides a good platform for promoting and deepening bilateral co-operation which is beneficial to both places. The ECCPC and the Taiwan - Hong Kong Economic and Cultural Co-operation Council (THEC) held their second joint meeting in Hong Kong on 10 August. At the same time, the annual meeting of the BCC and the Economic Co-operation Committee under the THEC was also held.

29. At the meeting, the BCC expressed the wish of the Hong Kong trade to members of the Taiwan side for the signing of an economic and trade co-operation framework agreement between the Governments of both sides so as to further facilitate exchanges and co-operation in different areas. At the Hong Kong-Taiwan Economic and Trade Forum co-organised by the two committees on the same day, a number of business leaders, expert speakers and representatives from trade associations provided forward-looking views on the ways to fully enhance Hong Kong-Taiwan relationship, e.g. the form and timing of a Hong Kong-Taiwan co-operation agreement, and closer co-operation between the two places.

30. The BCC plays an active role in facilitating direct exchanges between Hong Kong and Taiwan business sectors. It will continue to promote economic and trade co-operation in both places, and consider organising with Taiwan's Economic Co-operation Committee various activities such as non-governmental visits, forums, etc. according to the needs of the trade, as well as conducting discussions and exchanging information on matters that may have possible impact on the trade and business in both places.

31. We will continue to promote and strengthen economic and trade co-operation between Hong Kong and Taiwan through the ECCPC and BCC.

***Initiative: Promoting co-operation among major venues and fair organisers to achieve better utilisation of existing convention and exhibition facilities and closely monitoring Hong Kong's long term demand for additional facilities.***

32. Following the "one show, two locations" approach, the Hong Kong Jewellery and Gem Fair 2011 was held concurrently at the Hong Kong Convention and Exhibition Centre (HKCEC) and the AsiaWorld-Expo (AWE) in September to tap the synergy of integrating our first-class exhibition venues for a trade fair organised by the same event organiser. The fair featured over 3 300 exhibitors spreading over 130 000 square meters of exhibitions space in AWE and HKCEC. Building on the success of this fair, the organiser is planning to further expand the show in AWE next year. TDC, on the other hand, has adopted the "two shows, two locations approach", and organised the Better Living Expo (at AWE) and Book Fair (at HKCEC) concurrently in July 2011. We will continue to encourage and facilitate exhibition organiser and venue operators to make fuller use of our existing convention and exhibition facilities using the "one show, two locations" and "two shows, two locations" approaches. TDC will continue to explore the possibilities of organising more shows at AWE, either on its own or in partnership with other private organisers.

***Initiative: Working closely with the Legislative Council and relevant stakeholders to enable early enactment of the Copyright (Amendment) Bill 2011 for strengthening copyright protection in the digital environment.***

33. In order to strengthen copyright protection in the digital environment, we introduced the Copyright (Amendment) Bill 2011 into the LegCo in June 2011. We will work closely with the Bills Committee to facilitate the early passage of the Bill.

***Initiative: Continuing to promote awareness of and respect for intellectual property rights in the business sector, and to assist business, in particular SMEs, to achieve compliance with intellectual property rules.***

34. We will continue to promote respect for intellectual property rights in the business sector through various channels and activities, including seminars, publication of leaflets and other reference materials. To help enterprises, especially SMEs, protect and capitalise on their intellectual assets (including brand, systems and practices of enterprise, registered intellectual property rights, etc.) for future business development, we will continue to promote awareness in SMEs on innovation and intellectual property management, particularly targeting on their needs for intellectual property solutions and tradable intellectual properties in their desired markets, with a view to helping them optimise the use of resources for timely transformation and advancement.

***Initiative: Continuing to support the further development of wine trading and distribution businesses in Hong Kong, riding on growing demand across Asia. Measures being pursued include trade and investment promotion, facilitating the movement of wine imports into the Mainland, manpower training and education, promotion of wine and food pairings, fortifying our certification scheme for wine storage facilities, combating counterfeits, and collaboration with trading partners.***

35. According to the industry, Hong Kong has firmly established itself as one of the top three wine auction centres in the world in 2010. The trend of robust growth in wine-related businesses continued in 2011. In the first seven months of 2011, the value of wine imports grew to \$5.8 billion, or a 69% increase over the same period last year. Economic benefits have been brought to Hong Kong, including job creation in sectors such as trading, logistics, catering and hospitality, and warehousing, etc.

36. To help the industry tap the business opportunities, we have maintained close liaison with them and kept up the momentum of our supportive measures. For example, we organised a wine manpower training roundtable in early October. Building on the success of our certification scheme for wine storage facilities, we are assisting in extending the scheme to the retail/consumption and transportation sectors. We have also made sustained efforts to guard against wine counterfeits, apart from facilitating the clearance of wines imported into the Mainland.

37. Two key home-grown wine-related promotion events have become flagship activities on our annual calendars for wine buyers as well as wine lovers and gourmets from Mainland China and other places. They are the international wine fair of the TDC and the Wine and Dine Festival organised by the HKTB. To maximise impact, new activities are added to these two anchor events this year. They include a major promotion event organised by Burgundy of France, a world-renowned wine-producing region.

38. The various supportive measures help create favourable conditions for the industry, including new comers, to capitalise on the expertise, experience and network available in Hong Kong for the further development of wine-related businesses across Asia.

***Initiative: Continuing to pursue measures to facilitate the movement of people and goods across the boundary, with a view to maintaining Hong Kong's competitiveness. These include the further promotion of self-service immigration clearance to visitors, and working in concert with the industry to prepare for the mandatory use of the electronic "Road Cargo System" from mid-November 2011 which enables easy and efficient customs clearance of road cargoes.***

39. The Customs and Excise Department (C&ED) launched the Road Cargo System (ROCARS) in May 2010 to enable seamless customs clearance at the land boundary. C&ED has been taking various measures to stimulate migration to and wider use of the system, in preparation for its mandatory use on 17 November 2011. Registration has been progressing well. On the IT infrastructure itself, C&ED has been carrying out various tests, including "stress tests" to ensure that it could handle the large number of ROCARS submissions electronically when use of the system becomes mandatory.

40. The system provides added room for C&ED to consider introducing related facilitation measures. For example, C&ED is now able to facilitate the passage of transshipment cargoes which involve inter-modal transfer (e.g. from land to air/sea). For traders using ROCARS and certain tracking devices prescribed by C&ED, their cargo will only be subject to customs inspection once at either the point of exit or entry.

## **Part II : Innovation and Technology Commission**

### *Developing the Infrastructure for Economic Growth*

#### **New Initiative**

***Initiative:** Review the Small Entrepreneur Research Assistance Programme (SERAP) with a view to better supporting the research and development (R&D) of small and medium-sized enterprises (SMEs).*

41. SMEs are the backbone of our economy. The SERAP under the Innovation and Technology Fund (ITF) provides matching grant of up to \$4 million to technology companies for conducting applied R&D and putting their innovative technological ideas into commercialisation. As at end-August 2011, SERAP supported 345 projects with a total funding of \$379 million.

42. We conducted a review of the ITF mechanism last year and introduced a series of enhancement measures in early 2011. We are also reviewing SERAP with a view to better supporting SMEs to conduct R&D. We will work closely with our stakeholders in formulating the enhancement measures.

#### **On-going Initiatives**

***Initiative:** Capitalising on the opportunities presented by the National 12th Five-Year Plan in science and technology collaboration with the Mainland. Providing financial assistance to Partner State Key Laboratories in Hong Kong to enhance their research capability.*

43. Through the Mainland/Hong Kong Science and Technology Cooperation Committee, we will work closely with the Ministry of Science and Technology (MOST) to progressively involve Hong Kong research personnel and institutes in the national innovation system. The Committee will continue to facilitate the participation of Hong Kong research personnel and institutes in national science and technology projects, prepare for inviting a new round of applications for Partner State Key Laboratories (SKLs), and work on recommending Hong Kong experts to be included in the National Science and Technology Programmes Expert Database. We will also work with MOST to follow up on the two support measures announced by Vice Premier Li Keqiang, including establishment of a Hong Kong branch of the Chinese National Engineering Research Centre and a National High-tech Industrialisation base in Hong Kong.

44. Starting from this financial year, we will provide five-year funding support of up to \$10 million to each of the twelve Partner SKLs in Hong Kong to enhance their research capability.

***Initiative: Implementing the Three-Year Action Plan under the “Shenzhen-Hong Kong Innovation Circle” and promoting closer co-operation between Hong Kong and Shenzhen in innovation and technology.***

45. We will continue to work closely with the government of Shenzhen to implement the Three-Year Action Plan under the “Shenzhen-Hong Kong Innovation Circle”. The Shenzhen and Hong Kong sides will review the progress of the collaboration initiatives at the “Steering Group on Shenzhen/Hong Kong Co-operation in Innovation and Technology” meeting and discuss further work plans.

***Initiative: Working closely with the Hong Kong Science and Technology Parks Corporation on the development of Science Park Phase 3 and the revitalisation of industrial estates.***

46. The Science Park Phase 3 development project (involving \$4.9 billion) is underway. The Hong Kong Science and Technology Parks Corporation (HKSTPC) appointed project management and architectural design consultants at the end of last year and awarded the first foundation contract in September this year. We will continue to work closely with HKSTPC to ensure successful completion of the project.

47. To ensure effective use of land in the three existing industrial estates, HKSTPC will continue to undertake revitalisation measures, including encouraging grantees that are not fully utilising their sites due to economic restructuring to take up new projects or assigning such sites to new users.

***Initiative: Promoting applied R&D and technology transfer to the industry through the R&D Centres (including the Hong Kong Applied Science and Technology Research Institute) and the Innovation and Technology Fund.***

48. Over the past five years, the five R&D Centres have undertaken over 400 research projects with an ITF funding of some \$2.1 billion. Efforts are being made to commercialise the R&D results. We are currently undertaking a comprehensive review of the operation and performance of the R&D Centres. We will report the findings to the Panel on Commerce and Industry of the Legislative Council by the end of this year.

49. We have completed the first phase of our review of ITF mechanism and introduced a series of improvement measures early this year to support commercialisation of the R&D results. These include extending the scope of ITF to cover the production of samples/prototypes and conducting of trial schemes in the public sector.

***Initiative: Reviewing and refining the R&D Cash Rebate Scheme to reinforce research culture among business enterprises and encourage them to establish stronger partnership with designated local public research institutions.***

50. The \$200 million R&D Cash Rebate Scheme launched in April 2010 provides a 10% cash rebate on the investment by enterprises in conducting applied R&D projects either funded under the ITF or in partnership with designated local public research institutions. As at end-September 2011, the Scheme approved more than 300 applications for a total rebate of over \$8.1 million. We submitted a progress report on the Scheme's first year operation to the Panel on Commerce and Industry of the Legislative Council in July 2011. We will consult Members on the enhancements to the Scheme in early 2012.

***Initiative: Working closely with the Hong Kong Council for Testing and Certification to implement a three-year market-driven development plan and explore business opportunities for new testing and certification services in four selected trades, i.e. Chinese medicine, construction materials, food and jewellery.***

51. The Government is working closely with Hong Kong Council for Testing and Certification (HKCTC) in adopting a dual approach to promote the testing and certification industry.

52. On the general front, we are enhancing the overall competitiveness of the industry through introducing new accreditation services, assisting the industry to attract talent, enhancing practitioners' technical knowledge and supporting R&D of new testing methodologies.

53. On the four selected trades of Chinese medicines, construction materials, food and jewellery, we will continue our existing work in developing and promoting new testing and certification services, including authentication of Chinese herbal medicines, product certification of construction materials, food safety system certification and development of standard testing methods for two types of jade.

54. To raise the international profile of Hong Kong Accreditation Service, we will host the 2012 Annual Meeting of the Pacific Accreditation Cooperation. It is anticipated that more than 30 countries/regions will participate in the event. In exploring the Mainland market, the Mainland has agreed to allow qualified Hong Kong laboratories to test all Hong Kong processed products that require China Compulsory Certification. We will discuss with relevant authorities in the Mainland to implement this measure in the coming year.

### *Quality City And Quality Life*

#### **On-going Initiative**

***Initiative: Organising a wide range of promotional activities including the InnoTech Month (ITM) during November 2011 to enhance the community's awareness of innovation and technology.***

55. A strong culture of innovation and technology is essential for driving innovation and technology development to sustain economic growth. We will continue to organise public education programmes to provide the community, in particular the younger generation, with first-hand experience of real life applications of innovation and technology. These include our flagship annual event, ITM, under which the 2010 InnoCarnival and the three-day road show had attracted over 130 000 participants. We will also continue to support school science competitions and other exchanges activities. These activities facilitate the general public and students in gaining more exposure to and experience in technological development and the R&D achievements of Hong Kong.

56. The Innovation and Technology Scholarship Award Scheme was launched in February 2011 with an aim to nurture young talent to become future leaders in innovation and technology. It provides valuable opportunities to 25 university students for learning the various aspects of the R&D and innovation process. We will continue to organise the Scholarship Scheme next year.

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