

**Summary of the views expressed at  
the Tenth Meeting of the Executive Committee  
of the Commission on Strategic Development  
held on 14 June 2007**

The Chairman welcomed Members to the meeting.

**Matters Arising from the Last Meeting**

2. The Chairman reported that the Secretariat had summarized Members' views on "Maintaining a Quality Environment for Hong Kong" and referred them to relevant government bureaux and departments for consideration. The Secretariat had also forwarded Members' views on the possible models for electing the Chief Executive and forming the Legislative Council by universal suffrage to the Committee on Governance and Political Development for consideration.

**Progress of Work of Other Committees of the Commission  
(Paper Ref: CSD/EC/5/2007)**

3. The Chairman said that the Paper was a regular report which updated Members on the progress of work of the other three Committees of the Commission. Members had no comments on the Paper.

**Development of High Technology Industries in Hong Kong  
(Paper Ref: CSD/EC/6/2007)**

4. The Chairman made the following remarks before the discussion -

- (a) High technology (high-tech) industries played a very important role in sustaining Hong Kong's economic development. As a world-class cosmopolitan city, Hong Kong had a wealth of advantages in the development of high-tech industries. Hong Kong had an open and flexible market, well-developed telecommunications network and infrastructure, world-class universities and a robust intellectual property rights protection regime. Through CEPA, capital and talent in

Hong Kong could move in and out of the Mainland conveniently.

- (b) The Government had been implementing a number of policy initiatives to promote high-tech industries, including the provision of research and technological infrastructure and setting up of various kinds of funding programmes. Nevertheless, there was still a gap between Hong Kong and other places, such as South Korea, Taiwan, Japan and the United States, in the level of development of high-tech industries. We should review whether the strategies adopted in developing high-tech industries were appropriate.

## **General**

5. Members were in support of developing high-tech industries in Hong Kong. They took the view that high-tech industries were essential for boosting Hong Kong's long-term economic development and international competitiveness. It would also help create more job opportunities, attract more talent, raise the quality of the population, and improve the quality of life in Hong Kong.

6. Members considered that Hong Kong had good potential in developing high-tech industries, especially in the area of research and development (R&D).

## **Role of Government**

7. Members agreed in general that Government should take the lead and provide policy support in developing high-tech industries in Hong Kong. Some Members suggested that the Government should adopt a high profile and present a clear and forceful message to the local and international communities that Hong Kong attached much importance to the development of high-tech industries. This could strengthen the confidence of various sectors in supporting and investing in high-tech industries and encourage more talent to join the industries.

8. A Member remarked that the Shenzhen Municipal Government planned to make use of its financial reserve accumulated in the past 25 years to develop high-tech industries. Making reference to overseas and

Mainland experience, he recommended that Hong Kong should adopt new strategies and policies to take forward the development of high-tech industries.

### **Cooperation with the Mainland**

9. There was a common view that Hong Kong should strengthen its cooperation with the Mainland, in particular with the PRD Region and Shenzhen in developing high-tech industries, such that both sides could benefit from their strengths.

10. A Member suggested that Hong Kong should focus on cooperation with Shenzhen as a start. He remarked that the universities in Hong Kong had rich experience in providing tertiary education. They could help Shenzhen set up a new university which could nurture a pool of talent for use by both places. Another Member suggested Hong Kong and Shenzhen could cooperate and develop as a technology hub in the region, resembling Silicon Valley in the United States.

11. A Member underlined the rapid growth of the Mainland market and opined that Hong Kong should seize the opportunity to participate in developing standards for high-tech products for the huge Mainland market.

### **Research and development**

12. Some Members observed that Hong Kong companies had relatively low level of R&D activities when compared with our competitors. Possible reasons were that -

- (a) Most of the industries in Hong Kong were labour intensive in the past and investment in R&D was insignificant, and
- (b) The adoption and application of information technology (IT) in the business sector, especially SMEs, was still limited.

13. Some Members shared a view that local demand was a crucial factor in fostering a R&D culture. To boost the local demand, Hong Kong should promote R&D, develop local brands and attract more international IT companies to set up their headquarters in Hong Kong. A Member

added that the development of local brands could effectively promote the R&D culture. However, it would take some time and require significant amount of resources in building up a new brand. He hoped that the Government could provide policy support and assistance in this regard.

14. A Member opined that Hong Kong had strength in applied R&D and commercialization, i.e. to make use of basic research findings for innovation of products and services. He took the view that Hong Kong should build on this strength and encourage service innovation. On the other hand, a Member felt that basic research and applied R&D complemented with each other and we should not overlook the importance of basic research. He urged the Government to provide more policy support in strengthening local research capabilities.

15. A Member said that universities had been carrying out research projects that served both academic and development purposes. Yet, universities were strong in research but not in commercialization of research results. Another Member concurred with this viewpoint and suggested that the industries could play a more active part in the commercialization of research results because they had the relevant market experience and expertise.

### **Research funding**

16. A Member opined that the existing policies on allocation of university research funding favoured basic research. The potential for publication in international journals was a key factor in considering an application for research funding. It was often more difficult for an applied research project to meet this requirement. He remarked that applied research could benefit Hong Kong's social and economic development, and urged that a balance should be struck between supporting basic research and applied research. However, there were also views that the existing funding policies were appropriate and should not be changed.

17. A Member pointed out that researchers and small technology-based companies often encountered difficulties in applying loans from banks or seeking financial support for their R&D projects because they lacked good business track records.

18. With regard to a suggestion for reviewing the operation of the Growth Enterprise Market (GEM), a Member considered that there was no

need to tighten up the existing regulations applied to GEM but there was room to improve its operation. GEM served growth enterprises that did not fulfil the profitability/track record requirements of the Stock Exchange of Hong Kong and were therefore unable to obtain a listing on the Main Board. It was an objective of GEM to provide an alternative channel for growth enterprises to raise capital. Investors should understand that these enterprises were involved in "high growth, high risk" businesses.

### **Attracting and Nurturing of Talent**

19. In view of fierce global competition, Members recommended the Government to strengthen its policies on attracting and nurturing of talent. The industries should be involved in the process of formulating and implementing relevant policies such that the policies would meet their needs.

20. A Member highlighted that the Singaporean Government was actively attracting overseas talent to live and work in Singapore so as to enhance its economic growth and competitiveness. The Singaporean Government had recently completed a review and revised its long-term population projection to 6.5 million, despite that its present population stood only at about 4.5 million. There might be a need for us to examine whether our policies on attracting talent should be adjusted.

21. On the other hand, a Member opined that Hong Kong already had the capabilities to develop high-tech industries even though the size of our population was not comparable to that of a country. It was most crucial to attract talent to work in Hong Kong and nurture an interest in science and technology among the younger generation. Quoting Finland as an example, it had a small population but its high-tech industries were thriving because it had a pool of professionals and experts serving in the industries.

### **Tax incentives**

22. Members had not formed mainstream views on whether the Government should offer tax incentives to promote the development of high-tech industries in Hong Kong. A Member was against the suggestion for the reason that provision of tax incentives to particular industries was not a tradition in our tax regime. It would be controversial

if only certain industries could enjoy such an advantage but others could not.

### **Land policy**

23. Some Members raised that most of the factories in Hong Kong had migrated to the PRD region and many industrial buildings were vacant. These buildings could be better utilized if other uses were permitted. They proposed to review the existing land policy such that certain services industries could make use of industrial land. Some Members also suggested that the Government should lower the fees and simplify the procedures for applying change of land use for industrial land.

### **Procurement system**

24. A Member said that many high-tech products were new, unique and protected by patent. Public institutions might not be prepared to include patent high-tech products in tenders because there were not many companies that could provide the same type of products. The Government might consider allowing more flexibility in the procurement system to encourage public institutions to use locally developed high-tech products.

### **Public-private sector cooperation**

25. Some Members recommended the Government to promote more public-private sector cooperation as the expertise and experience of the public and private sectors could complement each other in developing high-tech industries in Hong Kong. Noting that the Government sometimes faced great difficulties in taking major projects forward under the present political climate, Members hoped that various sectors of the community would adopt an open and rational attitude towards these cooperation projects and appreciate the benefits they would bring to the whole society.

### **Application in Social Services**

26. A Member recommended that the Government should help promote and explore the application of advanced technologies in social services sectors. The popularity of the Personal Emergency Link Service

was a good example demonstrating how we could make use of IT in social services in an affordable manner.

## **Conclusion**

27. In response to Members' discussion, the Commissioner for Innovation and Technology supplemented that -

- (a) The Government had set up five R&D Centres with an objective to conduct industry-oriented applied research on the five areas that Hong Kong had comparative advantage and could be put to use in the PRD manufacturing base. The five R&D Centres focused on the needs of the industries and fostering closer collaboration between universities and industries. These R&D Centres could also help the industries look for suitable local and overseas research institutes to carry out tailor-made applied research projects.
- (b) Commerce, Industry and Technology Bureau had already signed an agreement with the Ministry of Information Industry of the Central People's Government in April 2007 that allowed Hong Kong experts, research institutes and enterprises to participate in the formulation of national standards in the information industry. This would facilitate the industries to keep abreast of the national developments in the relevant areas, and help the industries explore the Mainland market and develop new products and services.

28. The Chairman made the following closing remarks -

- (a) Members agreed on the necessity of developing high-tech industries in Hong Kong which would be conducive to the promotion of sustainable economic growth, maintenance of long term competitiveness, creation of job opportunities and improvement of quality of life in Hong Kong.
- (b) Members advised that we should review from time to time our policies on developing high-tech industries

having regard to the needs of the society and development of Hong Kong. They put forward useful suggestions in a number of areas, including cooperation with the Mainland (especially Shenzhen), R&D, policies on research funding, attracting and nurturing talent, taxation, land use, and procurement policies.

- (c) A supply chain of products and services involved a series of activities, including innovation, research, development, production, delivery and consumption. Members recognized that Hong Kong had an advantage in some of these activities, but not all. In view of this and the opportunities arising from the rapid development of the Mainland, we should consider how Hong Kong could better cooperate with the Mainland so as to complement our strengths and weaknesses.

29. It was the last meeting of this Committee in the current term of the Commission on Strategic Development (CSD). The Chairman expressed his heartfelt thanks to Members for their support and insightful views on various strategic issues pertaining to long term development of Hong Kong. The CSD would continue to operate and serve as the most important advisory body for the Chief Executive in the third term Government.

30. The attendance list is at Annex.

Secretariat to the Commission on Strategic Development  
August 2007



策略發展委員會  
行政委員會第十次會議  
2007 年 6 月 14 日

Tenth Meeting of the Executive Committee  
of the Commission on Strategic Development  
14 June 2007

出席人士

Attendance List

主席 :

Chairman :

The Chief Executive

行政長官

官方委員 :

Official Members :

The Chief Secretary for Administration

政務司司長

The Financial Secretary

財政司司長

Head, Central Policy Unit

中央政策組首席顧問

非官方委員 :

Non-Official Members :

Mr CHAN Wing-kee, G.B.S., J.P.

陳永棋先生, G.B.S., J.P.

Mr CHENG Mo-chi, Moses, G.B.S., J.P.

鄭慕智先生, G.B.S., J.P.

Dr CHENG Wai-kin, Edgar, G.B.S., J.P.

鄭維健博士, G.B.S., J.P.

Dr CHOI Yuen-wan, Philemon, S.B.S., J.P.

蔡元雲醫生, S.B.S., J.P.

Prof CHU Ching-wu, Paul, J.P.

朱經武教授, J.P.

Ms FANG Meng-sang, Christine, J.P.

方敏生女士, J.P.

Dr FUNG Kwok-king, Victor, G.B.S.

馮國經博士, G.B.S.

Mr HE Guangbei

和廣北先生

The Hon LAU Chin-shek, J.P.

劉千石議員, J.P.

Mr LAU Hon-chuen, Ambrose, G.B.S., J.P.

劉漢銓先生, G.B.S., J.P.

Prof LAU Juen-ye, Lawrence

劉遵義教授

The Hon LAU Sau-shing, Patrick, S.B.S., J.P.

劉秀成議員, S.B.S., J.P.

The Hon LEE Chu-ming, Martin, J.P.

李柱銘議員, J.P.

Mr LI Tzar-kuoi, Victor

李澤鉅先生

The Hon TSANG Yok-sing, Jasper, G.B.S., J.P.  
Mr WONG, Raymond R., S.B.S.  
Prof WOO Chia-wei, G.B.S.  
Mr WOO Kwong-ching, Peter, G.B.S., J.P.  
Mr WU Ting-yuk, Anthony, J.P.  
Sir WU Ying-sheung, Gordon, G.B.S.  
Mr YEUNG Yiu-chung, B.B.S., J.P.

曾鈺成議員, G.B.S., J.P.  
黃應士先生, S.B.S.  
吳家瑋教授, G.B.S.  
吳光正先生, G.B.S., J.P.  
胡定旭先生, J.P.  
胡應湘爵士, G.B.S.  
楊耀忠先生, B.B.S., J.P.

## 列席 In Attendance

Mr WONG Sik-kei, Anthony, J.P.  
Commissioner for Innovation and Technology

創新科技署署長  
王錫基先生, J.P.

## 因事未能出席 Apologies

官方委員 :  
**Official Member :**

Director, Chief Executive's Office

行政長官辦公室主任

非官方委員 :  
**Non-Official Members :**

Mr CHAN Cho-chak, John, G.B.S., J.P.  
Prof CHAN Lai-wan, Cecilia, J.P.  
The Hon CHAN Yuen-han, J.P.  
Mr CHENG Hoi-chuen, Vincent, G.B.S., J.P.  
Mr CHENG Kar-shun, Henry, G.B.S.  
Ms CHENG Yeuk-wah, Teresa, B.B.S., J.P.  
The Hon CHOW LIANG Shuk-ye, Selina, G.B.S., J.P.  
Prof CHOW Wing-sun, Nelson, S.B.S., J.P.  
The Hon EU Yuet-mee, Audrey, J.P.  
Dr LEE Peng-fei, Allen, J.P.  
Dr LIAO York, S.B.S., J.P.  
Dr QIN Xiao  
Mr SHIU Sin-por, S.B.S.  
Prof TSUI Lap-chee, J.P.  
Mr WONG Hong-yuen, Peter, G.B.S., J.P.

陳祖澤先生, G.B.S., J.P.  
陳麗雲教授, J.P.  
陳婉嫻議員, J.P.  
鄭海泉先生, G.B.S., J.P.  
鄭家純先生, G.B.S.  
鄭若驊女士, B.B.S., J.P.  
周梁淑怡議員, G.B.S., J.P.  
周永新教授, S.B.S., J.P.  
余若薇議員, J.P.  
李鵬飛博士, J.P.  
廖約克博士, S.B.S., J.P.  
秦曉博士  
邵善波先生, S.B.S.  
徐立之教授, J.P.  
黃匡源先生, G.B.S., J.P.