

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2335/03-04  
(These minutes have been seen by  
the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Monday, 10 May 2004, at 4:30 pm**  
**in Conference Room A of the Legislative Council Building**

**Members present** : Hon Kenneth TING Woo-shou, JP (Chairman)  
Hon NG Leung-sing, JP  
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP  
Hon CHAN Kam-lam, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon SIN Chung-kai  
Hon Henry WU King-cheong, BBS, JP  
Hon MA Fung-kwok, JP

**Member absent** : Hon HUI Cheung-ching, JP (Deputy Chairman)  
Dr Hon LUI Ming-wah, JP  
Hon CHEUNG Man-kwong

**Public officers attending** : **Item IV**  
  
Mr John C TSANG, JP  
Secretary for Commerce, Industry and Technology  
  
Mr Kevin HO, JP  
Director-General of Trade and Industry  
  
Ms Carol YUEN  
Assistant Director-General of Trade and Industry

**Item V**

Mr Anthony Sik-kei WONG, JP  
Commissioner for Innovation and Technology

Mrs Sarah KWOK, JP  
Deputy Commissioner for Innovation and  
Technology

Mr Tony LAM  
Assistant Commissioner for Innovation and  
Technology (Infrastructure)

**Item VI**

Mr Gordon LEUNG  
Principal Assistant Secretary for Commerce, Industry  
and Technology (Commerce and Industry)

Mr Andrew WONG  
Head of Trade Controls  
Customs & Excise Department

Mr S Y CHEUNG  
Head of Consumer Protection and Prosecution  
Bureau  
Customs and Excise Department

Mrs Mabel YU  
Principal Trade Officer  
Trade and Industry Department

**Clerk in attendance :** Miss Polly YEUNG  
Chief Council Secretary (1)3

**Staff in attendance :** Miss Anita HO  
Assistant Legal Advisor 2 (Item VI)

Ms Sharon CHAN  
Legislative Assistant (1)6

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Action

The Chairman informed members that he was unable to chair the entire meeting as he had to leave early for a business trip. Members noted that it would be necessary to elect another member to take over the chair.

**I Confirmation of minutes of meeting**

(LC Paper No. CB(1)1688/03-04 -- Minutes of meeting held on 8 March 2004)

2. The minutes of the meeting held on 8 March 2004 were confirmed.

**II Date and items for discussion for next meeting**

(LC Paper No. CB(1)1710/03-04(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1710/03-04(02) -- List of follow-up actions)

3. Members agreed that the next regular meeting would be held on Monday, 14 June 2004 at 4:30 pm to discuss the item of 'Government Electronic Trading Services (GETS) market'.

4. Mr SIN Chung-kai suggested that when reporting to members, the Administration should include measures to facilitate fair competition in the market. The Chairman agreed that Mr SIN's concern would be conveyed to the Administration.

5. The Chairman advised that members who wished to propose items for discussion could inform the Clerk after the meeting.

*(Post-meeting note: With the concurrence of the Chairman, the subject of 'Improving the business environment' proposed earlier on by Mrs Sophie LEUNG would also be discussed at the Panel meeting on 14 June 2004.)*

**III Papers issued since last meeting**

6. Members noted that no information paper had been issued since the last meeting.

**IV Implementation of Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)**

(LC Paper Nos. CB(1)1710/03-04(04) and 1793/03-04(01))

7. The Secretary for Commerce, Industry and Technology (SCIT) briefed members on the latest progress in the implementation of CEPA. Details were set out in the information paper provided by the Administration and the speaking note of SCIT.

Further liberalization under CEPA and the requests of Hong Kong's telecommunications services sector

8. Mr SIN Chung-kai expressed concern about further liberalization under CEPA. SCIT said that further liberalization under CEPA had been detailed in paragraph 21 of the paper. He stressed that the Government of the Hong Kong Special Administrative Region (HKSARG) would continue to pursue with the Mainland authorities further liberalization of the Mainland market under the framework of CEPA to broaden the market access for Hong Kong's goods and services trade, with a view to expanding CEPA's scope and coverage on a progressive basis.

9. Mr SIN Chung-kai was concerned whether HKSARG had conveyed the requests of Hong Kong's telecommunications services sector to the Mainland authorities. Such requests included the feasibility of setting up a special telecommunications zone in the Pearl River Delta Region and raising the percentage of Hong Kong Service Suppliers' (HKSS) shareholding in joint venture enterprises set up in the Mainland for the provision of value-added telecommunication services. Under the existing requirement, the aforesaid percentage of shareholding should not exceed 50%. Mr SIN Chung-kai enquired whether the Administration would directly convey the requests of Hong Kong's telecommunications services sector to the Ministry of Information Industry (MII) of the Mainland government for follow-up.

10. SCIT responded that the Administration had received views from various sectors in respect of the framework of CEPA, including the requests of Hong Kong's telecommunications services sector. The Administration would convey the views and requests from different sectors to the relevant Mainland authorities through the Ministry of Commerce for follow-up. SCIT added that the Administration would also consider liaising directly with MII to discuss the requests put forward by Hong Kong's telecommunications services sector.

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Application for Certificate of HKSS

11. Mr NG Leung-sing considered the present implementation of CEPA by and large satisfactory. According to paragraph 11 of the paper, up till 29 April 2004, the Trade and Industry Department (TID) received 295 applications for Certificate of HKSS of which 235 were approved. Judging from these figures, Mr NG opined that Hong Kong enterprises in general had not encountered great difficulties in expanding their business to the Mainland market. Regarding those rejected applications, Mr NG Leung-sing considered that the Administration should review the reasons behind so that the sectors and enterprises concerned could understand and comply with the requirements for HKSS under CEPA. This would enable them to gain access to the Mainland market for business development.

12. Having regard that as at end of March 2004, about 300 Hong Kong people were allowed to operate their businesses in Guangdong Province as natural

persons, Mr NG Leung-sing enquired about the trades in which such people were engaged and whether any Hong Kong residents were employed to manage the businesses. He hoped that the authorities of Guangdong Province would provide information in this regard for members' reference.

13. SCIT advised that since the implementation of CEPA, Hong Kong enterprises from various sectors had been aware of the business opportunities brought about by CEPA, as well as the requirements for access into the Mainland market for business expansion. After the signing of the six annexes to CEPA in September 2003, the Administration had handled about 18 500 enquiries and hits to TID's CEPA website had reached 600 000. In order to promote the business opportunities brought about by CEPA to the business and industrial sectors in Hong Kong, the Administration had organized and participated in some 200 seminars, exhibitions and other promotion activities. With the increasing awareness of Hong Kong's business and industrial sectors on CEPA, SCIT anticipated that the number of applications for Certificate of HKSS submitted by Hong Kong enterprises would increase gradually. In fact, statistics of the past four months indicated that the number of such applications was on a steady increase.

14. The Director-General of Trade and Industry (DGTI) added that the Administration was committed to assisting Hong Kong enterprises in securing access to the Mainland market for business expansion. On Mr Ng Leung-sing's concern that the applications for Certificate of HKSS submitted by Hong Kong enterprises might be rejected on certain grounds, DGTI responded that the Administration had not formally rejected any applications so far. At present, about 40 applications were still being processed, partly because the Hong Kong enterprises concerned failed to provide sufficient supporting information. Individual enterprises withdrew their applications for the Certificate of HKSS probably due to some technical problems, such as their failure to produce a valid Hong Kong business registration certificate. However, according to his understanding, Hong Kong enterprises had not encountered much difficulty in their application for Certificate of HKSS.

15. Regarding Mr NG Leung-sing's reference to Hong Kong people who expanded their business in the Mainland as natural persons, DGTI pointed out that most of them were engaged in retail business. According to the statistics provided by the Guangdong Provincial authorities, there had so far not been any cases in which an application by a Hong Kong resident for doing business in the Mainland as natural person was rejected. DGTI advised that he would check whether the Guangdong Provincial authorities could provide information on Hong Kong residents employed by individually owned stores set up by Hong Kong businessmen in the Mainland. Mr NG Leung-sing urged the authorities of both places to strengthen their communication in order to assist Hong Kong people intending to expand their business in the Mainland as natural persons to secure business opportunities.

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16. Referring to Annex II to the paper which revealed that only three out of the eight applications for Certificate for HKSS received were approved under the "Engineering, integrated engineering, and construction and related engineering services" sector, Mr NG Leung-sing expressed concern about the situation. DGTI responded that according to the latest information, the Administration had received from the sector concerned nine applications for Certificate of HKSS, of which five had been approved, three were still being processed and one was withdrawn by the applicant.

17. Mrs Selina CHOW was concerned whether the actual number of applications for zero tariff under CEPA was lower than expected. Citing the Certificate of Origin as an example, SCIT advised that the number of applications had been increasing steadily. A total of 111 applications were received in January while in February and March, the respective numbers increased to 196 and 262. In April, the number further increased to 293. Based on the above trend, SCIT anticipated that the number of applications would continue to rise when various sectors and enterprises had a better understanding of the business opportunities brought about by CEPA and became more familiar with the application procedures.

18. As regards Mrs Selina CHOW's enquiry about why the retail sector was not included in the statistics on application for Certificate of HKSS in Annex II to the paper, SCIT responded that the retail sector had already been covered by the "Distribution Services" sector. Regarding Mrs Selina CHOW's suggestion to further break down the statistics under the "Distribution Services" sector, SCIT said that as the enterprises engaged in distribution services often operated both retail and wholesale businesses, there would be some difficulties in providing a further breakdown on the statistics concerned.

#### The Rules of Origin for CEPA

19. Mr MA Fung-kwok noted that according to paragraph 3 of the paper, a small number of goods (43 products, i.e. about 11% of all the products manufactured in Hong Kong) adopted the origin rules under which a threshold of 30% was prescribed as the minimum Hong Kong value-added content. In this connection, Mr MA was concerned about the current number of applications which adopted the 30% threshold to prove that the products manufactured were in compliance with the CEPA origin requirements and eligible for zero tariff. In response, DGTI said that the Administration had so far received 21 applications which adopted such origin rules, with the majority from the local watch and clock industry.

20. In response to Mr MA Fung-kwok's enquiry about the basis for determining the value-added content, DGTI said that the Administration would take into consideration the product development costs incurred, such as the expenses for design, patent, trademark and copyright, when determining the value-added content. DGTI stressed that there would be ongoing consultation with the industries and trade associations concerned. The Administration would

review with the Mainland authorities from time to time to see whether it was appropriate to determine the origin of certain products according to their value-added content. DGTI supplemented that the value-added content also included the expenses other than for product development, such as the cost of raw materials, component parts and labour, etc.

21. Mr MA Fung-kwok was concerned that the use of value-added content to determine the place of origin might be subject to abuse. For example, the same copyright cost might be repeatedly included by an enterprise when calculating the value-added content of the manufactured products. DGTI responded that the Customs and Excise Department (C&ED) had sufficient operational experience in preventing such abuse. If necessary, C&ED would also liaise with the Mainland customs with a view to strengthening their cooperation in enforcement.

#### Deadline for goods to apply for zero tariff under CEPA

22. As regards Hong Kong products which had not yet benefited from zero tariff under CEPA, Mrs Selina CHOW expressed concern whether the manufacturers concerned should submit their applications to TID before the end of April 2004 in order to enjoy zero tariff from 1 January 2006. SCIT clarified that the deadline was only applicable to Hong Kong products which had not been included in the initial phase but which were intended to benefit from zero tariff from the following year. In view of the large number of applications received and at the industries' request, the Administration had extended the deadline from the end of March to the end of April 2004. Upon receipt of applications, TID would discuss expeditiously with the Mainland authorities about the origin rules concerned so that the products could enjoy zero tariff in the following year. SCIT expected that all Hong Kong's domestic exports to the Mainland could eventually enjoy zero tariff under CEPA. However, different products would have different origin rules. As such, according to the current practice, the Administration would discuss with the Mainland authorities about the origin rules only after individual manufacturers in Hong Kong had submitted an application.

#### The threshold of access into the Mainland market for retail and wholesale services sectors in Hong Kong under CEPA.

23. Mrs Selina CHOW was concerned whether the existing threshold under CEPA was so high that it had become an obstacle for the retail industry to gain access to the Mainland market for business expansion. She enquired whether the Administration would further discuss the issue with the Mainland authorities. In response, SCIT advised that the Mainland authorities had recently lowered the threshold of access into the Mainland market access for Hong Kong's retail enterprises under CEPA. SCIT added that the Mainland authorities had promulgated relevant provisions in April 2004 that starting from 1 June 2004, the minimum registered capital for foreign businesses to set up a retail enterprise and a wholesale enterprise had been lowered to RMB300,000 and RMB500,000

respectively. The Chairman welcomed the above arrangement and hoped that the Administration would continue to strive for more benefits under CEPA for small and medium enterprises (SMEs) from various sectors in Hong Kong.

(Note: As the Chairman had to leave the meeting at 5:15pm, members elected Mr SIN Chung-kai to be the Chairman. He took over the chair.)

### Implications of implementing CEPA

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24. While expressing concern about the effectiveness of CEPA in attracting foreign enterprises to invest in Hong Kong, Mrs Selina CHOW enquired whether measures had been put in place for an evaluation in this regard. SCIT appreciated Mrs Selina CHOW's concern about the economic benefits brought about by CEPA. He advised that the number of registered factories in the last quarter had increased by around 80% as compared with the same period last year. However, he pointed out that such an increase might not be directly related to the implementation of CEPA. In order to better assess the implications of CEPA, SCIT informed members that the HKSARG would conduct a quantitative survey and analysis of the economic impact of CEPA, including that on local employment, nine to 12 months after CEPA's implementation. The Government Economist was discussing with the Census and Statistics Department about the methodology of the survey and analysis.

### Other concerns

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25. Mrs Sophie LEUNG suggested that the Administration should consider setting up a high-level committee with the participation of the commercial and industrial sectors. The committee would study how the HKSARG should work with the Mainland authorities to formulate measures to facilitate the access of Hong Kong SMEs into the Mainland market under the framework of CEPA.

26. The Chairman urged the Administration to consider members' views and conduct a quantitative survey and analysis on CEPA as scheduled and report the outcome to the Panel in due course.

## **V DesignSmart Initiative**

(LC Paper No. CB(1)1710/03-04(03))

27. The Commissioner for Innovation and Technology (CIT) briefed members on the proposal of DesignSmart Initiative (the Initiative). Details were set out in the information paper provided by the Administration.

28. Mrs Sophie LEUNG supported the proposed Initiative. She pointed out that it usually took quite a long time for enterprises to establish their brand names. Although the Administration had previously allocated resources to assist the industries in product development and to promote innovation and design, she



opined that it would be difficult to fully integrate the design into the product development processes and operation strategies. Regarding the development of an "Innovation and Design Centre" under the Initiative to provide one-stop support service to the industries in product design, Mrs Sophie LEUNG expressed concern about the cost-effectiveness of such proposal. Moreover, Mrs LEUNG pointed out that although many tertiary institutions in Hong Kong, such as the Institute of Vocational Education (IVE) under the Vocational Training Council (VTC), provided training courses in product design, such training courses should be linked with production in order to satisfy the development needs of the industries. As such, she suggested that the Administration should consider strengthening collaboration between tertiary institutions and the industries in product design and training. Mrs Sophie LEUNG further suggested that through the Initiative, the Administration should encourage the industries to actively participate in product design and development. The Administration should also properly the effectiveness of the projects funded by the Initiative, for instance, the number of SMEs benefited, so as to achieve effective use of resources.

29. CIT responded that to a certain extent, the Initiative could assist local industries to successfully establish brand names for their products. In order to ascertain the effectiveness of the projects funded by the Initiative, the Administration intended to review the projects concerned once or twice a year in order to assess whether they had achieved the planned objectives and met the needs of the industries. Concurring with the suggestion to strengthen collaboration between the tertiary institutions and the industries in the provision of training on product design, CIT agreed that the training courses should cater for the needs of the industries to maximize their effectiveness. The Initiative would not fund the design training courses offered by the tertiary institutions, but aimed at providing opportunities for professional continuing education through funding support to those who had already joined the design industry. However, CIT opined that the Administration would liaise with individual tertiary institutions, particularly IVE under VTC and the Hong Kong Polytechnic University, to ensure that the training courses provided would meet the actual needs of the industries. CIT added that the Administration hoped that the design research projects funded by the Initiative could eventually achieve the objective of commercialization and upgrading the design or branding in one or more sectors.

Admin

30. Mrs Sophie LEUNG expressed concern about whether the design research projects funded by the Initiative would eventually be adopted by the industries. In this connection, she opined that the Administration should actively encourage the collaboration between SMEs and the design industry. This would stimulate SMEs' interest in the application of design and the investment in design research projects which in turn could enhance the recognition of the projects by the industries.

31. Mrs Sophie LEUNG pointed out that the integration of the design elements into mainstream business and industrial processes could help the

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industries switch to the high value-added production mode. She stressed that if the design training courses currently offered by tertiary institutions could meet the development needs of the industries, more room could be provided for the development of product design and existing resources could be used effectively to provide suitable training for those who aspired to pursue a career in the design industry. CIT advised that the Administration would study ways to ensure that the design training courses currently offered by tertiary institutions would tie in with the professional continuing training programmes under the Initiative with a view to further promoting product design development in Hong Kong. CIT supplemented that in order to achieve the objective of commercialization of design research projects, the Administration would decide whether to provide funding support to those projects having regard to the sponsorship and support secured by the applicant from the industries.

32. Mrs Selina CHOW declared that she was the Vice Chairman of the Board of Governors of the Hong Kong Design Centre. While expressing support for the Initiative, Mrs Selina CHOW was concerned how local designers could promote the development of high value-added production mode through their participation in the Initiative. Mrs CHOW pointed out that as the production mode of original equipment manufacturing was adopted in the past, local industries had overlooked the importance of design in adding value to products and branding and had not provided sufficient manpower training opportunities for the design industry. Mrs Selina CHOW shared Mrs Sophie LEUNG's view that training courses in product design should be able to meet the needs of the industries in order to effectively promote the development of the industries. Given that the Initiative would select through awards, competition or any other specific ways, two best designers each year to be sent to reputable organizations for a maximum one-year training course or work attachment, Mrs Selina CHOW opined that such arrangement could better harness the potentials of local designers, broaden their horizon and recognize the achievements of the design profession in Hong Kong. In addition, it would also enhance the competitiveness of Hong Kong-made products. As such, she urged the Administration to strengthen the communication and collaboration between the design industry and the industries in the area of product design. For instance, the Administration might consider extending the coverage of the Design Support Programme from the design and branding researches undertaken by universities, industry support organizations, trade associations, etc. to research projects conducted by design professional bodies/organizations.

33. CIT anticipated that the Initiative could enhance the image of the local design profession. By integrating the design element into mainstream business and industrial processes, the industries could switch the production mode from original equipment manufacturing to original design manufacturing and thence original brand manufacturing. Regarding the professional continuing training opportunities for local designers under the Initiative, such as subsidizing local designers to enrol in new design training courses developed by local organizations or in collaboration with overseas training organizations, CIT advised that such arrangement would enhance the design and branding standards

of local designers. CIT said that in drawing up the Initiative, the Administration had from time to time consulted the design professional bodies/organizations. In addition, the Administration also intended to set up a vetting committee for vetting and approving applications for funding support under the Initiative. Representatives from the design industry and the business and industrial sectors would be invited to participate in the vetting process.

34. On Mrs Sophie LEUNG's suggestion that the results of individual design research projects could be shared among the industries, Mrs Selina CHOW expressed reservation and opined that this might affect the interests of the SMEs which had participated in and sponsored the projects. CIT responded that if the design research and branding research were non-exclusive and aimed at providing a platform of development for the industry, such as establishing a database of clothing sizes for the Asians, the results concerned could be shared by the industries. For research projects jointly conducted by individual design companies and SMEs on commercial grounds which required the participating companies/enterprises to share the cost and the research results of which would involve intellectual property, CIT opined that the results of such research projects should not be made available for use by the industries.

35. As there were many organizations/bodies specializing in assisting individual companies and individuals to apply for funding under different government funding schemes, Mrs Selina CHOW was concerned that the Initiative might not benefit the talented design professionals. Therefore, she hoped that appropriate measures would be taken by the Administration to improve the application procedures.

36. Mr SIN Chung-kai enquired why the commitment to set up the Initiative would be allocated from the General Revenue Account instead of the Innovation and Technology Fund (ITF). CIT explained that as research projects which were not of a scientific nature (e.g. design research projects) were outside the scope of ITF, it would be more appropriate to create the commitment under the General Revenue Account.

37. Mrs Sophie LEUNG urged the Administration to expeditiously finalize the proposal of developing Hong Kong into the fashion design centre of the Asia-Pacific region. CIT advised that to a certain extent, the Initiative could provide funding support for local projects on fashion design and branding. It was expected that with the establishment of the Innovation and Design Centre, services including those on training and exhibition would be provided for the local fashion design industry in furtherance of its development. Mrs Sophie LEUNG advised that she would continue to follow up with the Administration on the measures to promote the development of the local garment and clothing industry.

38. The Chairman concluded that the Panel supported the proposed Initiative in principle. He invited the Administration to take note of the views expressed by members.

**VI Review of the Trade Descriptions Ordinance and related subsidiary legislation in the light of the development of the Mainland and Hong Kong Closer Economic Partnership Arrangement**

(LC Paper Nos. CB(1)1710/03-04(05) and 308/03-04)

39. Members noted that details of the proposed amendments to the Trade Descriptions Ordinance (TDO) and related subsidiary legislation in the light of the development of CEPA were set out in the information paper provided by the Administration.

40. As the legislative amendments were proposed to facilitate the implementation of CEPA, the Chairman said that the Panel supported the proposal in principle.

41. The Assistant Legal Adviser 2 (ALA2) pointed out that the term 'country' was used to describe the origin of goods in the subsidiary legislation of the existing TDO and other Ordinances. As such, she suggested that in proposing the amendments, the Administration should also consider amending other related Ordinances and subsidiary legislation as well. The Principal Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry) took note of ALA2's suggestion for consideration.

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**VII Any other business**

42. There being no other business, the meeting ended at 6:30 pm.

Council Business Division 1  
Legislative Council Secretariat  
9 July 2004