

立法會
Legislative Council

LC Paper No. CB(1)2761/09-10
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 15 June 2010, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon Vincent FANG Kang, SBS, JP (Chairman)
Dr Hon LAM Tai-fai, BBS, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Starry LEE Wai-king
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Member attending** : Hon Miriam LAU Kin-ye, GBS, JP
- Members absent** : Hon Fred LI Wah-ming, SBS, JP
Hon CHIM Pui-chung
- Public officers attending** : Agenda item IV
Commerce and Economic Development Bureau
Mrs Rita LAU, JP
Secretary for Commerce and Economic Development

Miss Yvonne CHOI, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Martin GLASS, JP
Permanent Representative of the Hong Kong Special
Administrative Region of China to the World Trade
Organization

Mr Donald TONG, JP
Hong Kong Commissioner for Economic and Trade
Affairs, USA

Miss Mary CHOW, JP
Special Representative for Hong Kong Economic and
Trade Affairs to the European Union

Mrs Jennie CHOK, JP
Principal Hong Kong Economic and Trade
Representative, Tokyo

Mr Stephen WONG
Director, Hong Kong Economic and Trade Affairs,
Berlin

Miss Sarah WU, JP
Director-General, Hong Kong Economic and Trade
Affairs, London

Mr Eddie MAK
Director-General, Hong Kong Economic and Trade
Affairs, Washington

Miss Monica CHEN
Director, Hong Kong Economic and Trade Affairs,
New York

Ms Maureen SIU
Director, Hong Kong Economic and Trade Affairs,
Toronto

Mr Jeff LEUNG
Director, Hong Kong Economic and Trade Affairs, San
Francisco

Miss Subrina CHOW
Director, Hong Kong Economic and Trade Affairs,
Singapore

Ms Linda LAW
Director, Hong Kong Economic and Trade Affairs,
Sydney (Acting)

Constitutional and Mainland Affairs Bureau

Mr Howard CHAN, JP
Deputy Secretary for Constitutional and Mainland
Affairs 2

Mr Thomas TSO, JP
Director, Beijing Office

Mr Patrick CHAN, JP
Director, Hong Kong Economic and Trade Affairs,
Shanghai

Mr Rex CHANG
Director, Hong Kong Economic and Trade Affairs,
Guangdong

Mr Eddie POON
Director, Hong Kong Economic and Trade Affairs,
Chengdu

Agenda Item V

Miss Yvonne CHOI, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Ms Maria KWAN Sik Ning, JP
Director-General of Trade and Industry

Ms Ellen CHOY Hiu Fun
Assistant Director-General of Trade and Industry

Miss Elley MAO, JP
Principal Economist
Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office

Agenda Item VI

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Andrew LAI
Deputy Commissioner for Innovation and Technology

Prof YUE On-ching
Science Advisor

Mr Davey CHUNG
Assistant Commissioner for Innovation and Technology

**Attendance by
Invitation**

: Agenda Item VI

The Hong Kong Automotive Parts and Accessory
Systems R&D Centre

Dr YANG Ying
Chief Executive Officer

The Hong Kong Research Institute of Textiles and
Apparel

Mr Haider BARMA, GBS, CBE, JP
Chief Executive Officer

Hong Kong R&D Centre for Logistics and Supply
Chain Management Enabling Technologies

Prof C J TAN
Chief Executive Officer

Nano and Advanced Materials Institute

Prof NG Ka-ming
Chief Executive Officer

Hong Kong Applied Science and Technology Research
Institute

Dr Nim CHEUNG
Chief Executive Officer

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)6

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)2189/09-10 -- Minutes of meeting held on
20 April 2010)

The minutes of the meeting held on 20 April 2010 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)1962/09-10(01) -- Information on the financial
position of the Applied Research
Fund for the period of 1 December
2009 to 28 February 2010)

2. Members noted that the above paper had been issued for the Panel's
information.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)2191/09-10(01) -- List of outstanding items for
discussion

LC Paper No. CB(1)2191/09-10(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 20 July
2010 at 2:30 pm to discuss the item on "Economic and trade co-operation between
Hong Kong and Taiwan.

**IV. Reports on the work of the Hong Kong Economic and Trade Offices and
the Office of the Government of the HKSAR in Beijing**

(LC Paper No. CB(1)2191/09-10(03) -- Administration's paper on reports
on the work of the overseas Hong
Kong Economic and Trade Offices
provided by the Commerce and
Economic Development Bureau

LC Paper No. CB(1)2191/09-10(04) -- Administration's paper on report on the work of HKSAR Government's Offices in the Mainland provided by the Constitutional and Mainland Affairs Bureau

LC Paper No. CB(1)2191/09-10(05) -- Paper on the work of the Hong Kong Economic and Trade Offices and the Office of the Government of the HKSAR in Beijing prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Secretary for Commerce and Economic Development (SCED) briefed members on the work of the Hong Kong Economic and Trade Offices (ETOs) and the Office of the Government of the HKSAR in Beijing, as set out in the Administration's paper (LC Paper No. CB(1)2191/09-10(03) and (04)).

Discussion

The economic and political situation in Europe, the United States and Japan

5. Mr Andrew LEUNG expressed concern about the economic situation in Europe and the United States and the possibility of a second wave of the financial tsunami. Sharing a similar concern, Mr Jeffrey LAM urged the ETOs to keep Hong Kong enterprises abreast of the most updated information on the economic situation in Europe in a timely manner to facilitate business planning.

6. In response, SCED assured members that Hong Kong had rebounded quickly after the financial tsunami and its GDP had returned to the pre-tsunami position. Looking forward, the Administration anticipated a positive GDP growth of 4 to 5 %. With closer cooperation between Hong Kong and the Mainland, the projection by the World Bank and the International Monetary Fund on Hong Kong's economic situation was likely to be even more optimistic. Special Representative for Hong Kong Economic and Trade Affairs to the European Union said that the European Council and European Central Bank had formulated a number of measures to tackle the sovereign debt crisis and enhance budgetary discipline among Member States. A number of European countries had already implemented contractionary fiscal policies to reduce their budget deficits. Nevertheless, the situation would remain volatile and the Brussels ETO would monitor closely and report on significant developments.

7. In response to Mrs Regina IP's and Mr Andrew LEUNG's enquiry about protectionism and anti-dumping measures against China in the United States (US), SCED advised that as a member of the World Trade Organization (WTO), China

could file complaints with the WTO in protest against such actions. Hong Kong Commissioner for Economic and Trade Affairs, USA (C, USA) advised that the ETOs in the US continued to monitor and report significant developments which might affect trade between the US and its key trading partners including Hong Kong. Regarding trade issues which would or might have a direct impact on Hong Kong, the Washington ETO was keeping close contact with the US Administration, Congress, and the business community with a view to gaining a better understanding of the US's position and explaining Hong Kong's stance.

8. In response to Ms Emily LAU's enquiry about the political situations in the US and Japan, C, USA advised that trade deficit between China and the US remained the main issue of concern of the US Administration. Principal Hong Kong Economic and Trade Representative, Tokyo anticipated that in view of the recent dynastic changes within the Japanese Government, it was hardly likely that Japan would change her policy towards China in the near future.

Developing ties with the ASEAN

9. Mr Andrew LEUNG urged the Government to step up efforts to strongly promote economic and trade collaboration between Hong Kong and member countries of the Association of Southeast Asian Nations (ASEAN), so as to capitalize on Hong Kong's advantage in connecting the Mainland, in particular the Pearl River Delta, with ASEAN region. In response, Director, Hong Kong Economic and Trade Affairs, Singapore advised that Hong Kong had continued to maintain close ties with the ASEAN countries. For instance, the Financial Secretary led a delegation to Malaysia and Indonesia in March this year to visit principal officials and business representatives. The Hong Kong Trade Development Council had also set up a consultant office in Indonesia recently to forge a closer business relationship. One of the focal points in the promotion work in the ASEAN countries would be the potential benefits offered by the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

Investment promotion

10. In response to Dr LAM Tai-fai's enquiry about the investment promotion work of Hong Kong, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) advised that Invest Hong Kong (InvestHK) had set up Investment Promotion Units (IPUs) in a number of overseas ETOs and hired non-civil service contract staff to serve as consultants. All the investment promotion efforts were undertaken by the ETOs according to the overall strategic plan coordinated by the InvestHK. Director, Hong Kong Economic and Trade Affairs Sydney (Acting) advised that the IPU of the Sydney ETO had generated 24 new projects since July 2009 and completed 8 of them, whereas the remaining ones were being actively pursued. Director, Hong Kong Economic and Trade Affairs, Singapore advised that as not many companies in Southeast Asia had the capacity to invest in Hong Kong, a consultant had been

Admin

engaged to spearhead inward investment promotion activities in Singapore and ASEAN countries. At Dr LAM Tai-fai's request, Special Representative for Hong Kong Economic and Trade Affairs to the European Union agreed to provide information on the number of companies assisted by the Brussels Investment Promotion Unit coming to invest in Hong Kong.

Admin

11. Noting the advancement in science and technology which would obviate the need for physical contacts and hence the need for a physical presence in overseas countries, Mr Albert CHAN expressed doubts over the need to maintain the overseas ETOs and suggested the Administration to conduct an overall review of their modus operandi in future. In this connection, Mrs Regina Ip opined that it was important to ensure that the nature of the businesses coming to invest in Hong Kong dovetailed with the Administration's policy to promote the six industries driving Hong Kong's long term growth. In response to Mr CHAN's and Mrs Regina Ip's enquiry, the Administration agreed to provide sectoral information on the nature of business and number of overseas companies coming to invest in Hong Kong over the past few years.

Assisting SMEs operating in the Mainland

12. In response to Mr WONG Ting-kwong's and Mr Albert CHAN's enquiry about assistance provided to Hong Kong businessmen involving disputes in the Mainland, Director, Beijing Office advised that the ETOs in the Mainland would follow up on the complaints concerning Hong Kong enterprises involved in commercial disputes in the Mainland, including providing them with a list of Mainland lawyers, and explaining to them the legal procedures in the Mainland. However, according to the laws of the Mainland, the ETOs in the Mainland had no right to visit Hong Kong residents who were detained in custody.

13. In response to Mr Jeffrey LAM's enquiry about assistance given to SMEs operating in the Mainland to upgrade and restructure, Director, Hong Kong Economic and Trade Affairs, Guangdong advised that the Guangdong ETO regularly disseminated information relating to upgrading and restructuring to Hong Kong enterprises operating in the Mainland, and helped organize trade delegations to the Mainland, such as to the northern mountainous areas and eastern and western wings of the Guangdong Province, for exploring and identifying sites for relocation. Guangdong ETO would continue with these efforts, and would also continue to liaise closely with the relevant Mainland authorities and Hong Kong enterprises operating in the Mainland. Director, Hong Kong Economic and Trade Affairs, Shanghai advised that the Shanghai ETO would assist SMEs explore new cities identified by the Ministry of Commerce for the relocation of processing trade, including Wuhan in Hubei Province, and Hefei in Anhui Province. Director, Hong Kong Economic and Trade Affairs, Chengdu advised that the Chengdu ETO would gather the latest market intelligence for Hong Kong SMEs and disseminate the information through its monthly bulletin.

Summing up

14. In summing up, the Chairman called on the Administration to provide the latest market information to the local SMEs operating in the Mainland to facilitate their business planning.

V. Latest developments relating to The Mainland and Hong Kong Closer Economic Partnership Arrangement

(LC Paper No. CB(1)2065/09-10(01) -- Information paper on the Mainland and Hong Kong Closer Economic Partnership Arrangement

LC Paper No. CB(1)1875/09-10(04) -- Paper on trade relations between the Mainland and Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

15. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the latest developments relating to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), as set out in the Administration's paper (LC Paper Nos. CB(1)2065/09-10(01) and CB(1)1875/09-10(04)).

Discussion

Feedback from small and medium enterprises

16. Mr Jeffrey LAM enquired about the feedback from small and medium enterprises (SMEs) in the service industries on the various liberalization and facilitation measures under Supplement VII to CEPA and how the Administration would ensure the smooth implementation of the new measures to help SMEs develop the Mainland domestic market.

17. In response, PSCIT advised that the Administration had received favorable response from the service industries on Supplement VII. The new service liberalization measures under Supplement VII would not take effect until 1 January 2011, and relevant parties were in the process of making preparations for their implementation. The Administration had been in communication with the business and professional communities before and during the consultations on Supplement VII. Views from the trade had been reflected to the Mainland authorities as appropriate. The Administration would continue to maintain close contact with stakeholders and Mainland authorities to ensure effective implementation of the measures announced under Supplement VII.

Assessment report on the impact of CEPA

18. Mr LAM Tai-fai enquired whether the survey of CEPA's impact on Hong Kong service providers had enabled the Administration to have a clear understanding of the operating environment faced by Hong Kong SMEs in the Mainland. He expressed concern that the service industries were still being confronted with various barriers of entry to the Mainland market with the associated access restrictions. He urged the Administration to introduce more liberalization and facilitation measures by improving and streamlining the relevant rules and procedures, so as to facilitate local enterprises operating on the Mainland.

19. In response, PSCIT advised that over the past few years, barriers of entry to the Mainland market had been gradually removed with improvements to the relevant rules and procedures. Principal Economist, Economic Analysis and Business Facilitation Unit, Financial Secretary's Office said that out of the total sample size of around 3000 for the survey, over 2500 selected companies were successfully enumerated. Of the over 1200 companies that had been issued with Hong Kong service supplier certificates, 70% were SMEs. The major benefits from CEPA identified by the respondents included relaxation in equity share restrictions, reducing the requirement for registered capital or business turnover and simplifying/expediting the application procedures, expansion of allowable business scope and elimination of geographical limitation. DGIT added that there had been improvements in the timeliness in the promulgation of rules and regulations by the Mainland authorities, simplification of approval procedures, and improvement in the understanding of CEPA measures among provincial and municipal officials. However issues due to differences in the institutional and regulatory framework for service sectors in Hong Kong and the Mainland would need more time to resolve.

Further liberalization measures

20. In response to Mr WONG Ting-kwong's enquiry about the possibility of further liberalization of Mainland's tourism market by allowing Hong Kong travel agents to organize group tours to overseas countries for Mainland residents, PSCIT advised that the Administration was aware of the industry's wish for further expansion of the scope of operation of Hong Kong travel agents in the Mainland, and would continue to seek further liberalization in this regard. On Mr WONG's enquiry about assisting the courier industry under CEPA, she advised that the Administration had relayed to the Mainland authorities the concerns of the courier industry about the effect of the new Postal Law on their operation in the Mainland; while no consensus had been reached with the Mainland authorities in the context of CEPA Supplement VII, the Government would continue the discussion with the Mainland authorities as appropriate.

Summing up

21. In summing up, the Chairman welcomed the signing of Supplement VII to

CEPA and hoped that further liberalization and facilitation measures would be implemented in future, including the mutual recognition of the testing and certification results between Hong Kong and the Mainland.

VI. Annual progress report of the Research and Development Centres

(LC Paper No. CB(1)2191/09-10(06) -- Administration's paper on progress report on Research and Development Centres for 2009-2010

LC Paper No. CB(1)2191/09-10(07) -- Administration's paper on interim report on the comprehensive review of Research and Development Centres

LC Paper No. CB(1)2191/09-10(08) -- Paper on Research and Development Centres under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief)

22. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the 2009-2010 operation of the Research and Development (R&D) Centres set up under the Innovation and Technology Fund (ITF) and the interim report on the comprehensive review of R&D centres, as set out in the Administration's papers (LC Paper Nos. CB(1)2191/09-10(06) and (07)).

Discussion

Commercialization of R&D deliverables

23. Noting the problems encountered in the administration of ITF in relation to the commercialization of R&D deliverables in the private and public sectors, Ms Emily LAU urged the Administration to simplify the relevant procedures and to look for possible areas of improvements. She also called on the Administration to seek to widen the scope of application of R&D deliverables such as the Radio Frequency Identification (RFID) technology.

24. Sharing Ms LAU's view, the Chairman welcomed the wider use of research deliverables in the public sector, such as the use of light-emitting diode (LED) lighting in public estates under the management of the Housing Authority. He further opined that the RFID technology was a very useful and cost-saving technology which had been in use at the Hong Kong International Airport for luggage tracking, and many retail chain stores for stock taking and inventory management. He was keen to ensure that with wider application of the technology, the cost of

implementing the system could be lowered. He also looked forward to seeing that the technology be further promoted to both the public and private sectors, and be used in nutrition labeling systems in future. In this connection, he suggested that the R&D Centres should enlist the assistance of trade associations in promoting research deliverables to the private sector.

25. In response, CIT advised that the comprehensive review had identified certain projects with good potentials where commercialization of the R&D deliverables could be further explored. To this end, more seminars would be organized to promote the wider application of research results in both the private and public sectors in the year ahead. She acknowledged the Chairman's suggestion and agreed that efforts should be focused on the promotion of the research deliverables by providing a reasonable number of prototypes for trial use by both the private and public organizations. For example, the Highways Department and the Housing Authority had both agreed to arrange trial use of LED lights incorporating technologies developed by the Hong Kong Applied Science and Technology Research Institute (ASTRI) on roads and in housing estates respectively. In the application of RFID technology in public hospitals, liaison was underway with the Hospital Authority and the Department of Health in a bid to introduce RFID technology in the areas of human corpse handling, baby tagging and patient record management. ITC was also liaising with the Education Bureau and the Development Bureau on the pilot trials of a number of R&D projects.

26. CIT further advised that a "demand-led" rather than a "supply-led" approach would be adopted in undertaking and funding applied R&D projects in future. Moreover, projects with significant social benefits would be given special consideration. In fact, liaison was underway between ASTRI and non-governmental organizations such as the Hong Kong Council of Social Service in the trial use of research deliverables for the benefit of the elderly.

27. On simplifying the relevant procedures, CIT advised that the framework of the ITF mechanism had been introduced for over a decade. Its operational guidelines had been revised over the years to meet various needs of the industry and the research community at different junctures. One of the problems encountered in the administration of ITF was that the current project vetting requirements and procedures were too lengthy to facilitate worthy projects to be undertaken quickly. This would also undermine the desire of the industry sponsor to bring the project to the market speedily. She further said that there was a need to extend the scope of the ITF to provide sustainability as the current ITF mechanism stopped too early (usually upon the submission of a report summarizing the technological achievement and financial position of the project), leading to the discontinuation of the commercialization process and the employment of research personnel hired. Apart from extending the ITF "vertically", the Innovation and Technology Commission (ITC) would explore to extend the ITF "horizontally" by identifying projects with possible interface with other projects under a cluster project approach. In other words, funding support would be provided if there were a few applications all in the same area (e.g. combating pollution in Yuen Long Nullah) but on different

aspects (e.g. odour, oxygen and bacteria levels) which could bring a much wider positive impact to the community. In this connection, a comprehensive review would be undertaken with a view to consolidating, simplifying and improving the whole ITF mechanism. At Ms Emily LAU's request, the Administration would provide information on this aspect by end 2010 when a further report on the review of the R&D centres was made to the Panel.

Admin

28. Chief Executive Officer, Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies supplemented that the application of the RFID technology was becoming more popular in Hong Kong. For example, it had been applied in the management of books in libraries as a substitute for the manual check-out procedure. The technology was first introduced in the University of Hong Kong and the Chinese University would follow suit, whilst the adoption of such use was being considered by the City University library. Meanwhile, all public libraries were also in the process of implementing the technology.

29. Mr Andrew LEUNG welcomed the Administration's plan to identify and put in place improvements to address the problems encountered in meeting the ITF funding and procedural requirements. He shared his past experience at the Hong Kong Productivity Council on the difficulties in achieving the commercialization of the R&D deliverables, including the early termination of the funding support under ITF. He was keen to ensure that the ITF funding could be extended to sustain the development of the R&D projects to achieve the commercialization of the research deliverables. He also suggested that through mass production of the research deliverables, the production cost of advanced technologies such as RFID and LED lighting could be lowered.

30. Dr Samson TAM expressed concern about the sufficiency and transparency in the sharing of knowledge with the small and medium enterprises (SMEs) relating to R&D deliverables. He opined that the provision of online information via the R&D Centres' websites might not be able to cater for the need of the SMEs as many of them could not afford the time to access the Internet for such information.

31. In response, Deputy Commissioner for Innovation and Technology (DCIT) advised that the ITC maintained high transparency of its R&D projects by requiring the research organization to provide information on key deliverables of the projects and such information would be made available on the ITF website for public reference. To facilitate potential clients in obtaining R&D Centres' technologies, similar online information would be made available at Centres' websites. In addition, the Centres continued to network with different industry sectors, including major players in the Mainland and seek to establish greater collaboration in research and commercialization. These included annual conferences/exhibitions, making use of e-business communications to reach out to SMEs. With nearly 2 000 projects funded by the ITF since 2000, the establishment of the five R&D Centres had enabled a more focused approach in the dissemination of information on research deliverables in different fields. On the other hand, the industry was encouraged to collaborate with the Centres in undertaking R&D projects.

32. CIT added that the Administration would look into how the Centres' work could create greater synergy in innovation and technology development and build up a good eco system for further development, covering all stakeholders i.e. the Government, the industry, R&D institutions and universities. The stakeholders could also make use of the ITF's General Support Programme under which non-R&D projects and activities, (e.g. surveys and seminars) were supported.

Operating costs of the R&D Centres

33. Dr Samson TAM opined that the manpower establishments of individual R&D Centres were weak and not sufficient enough to perform corporate management duties and provide audited financial reports. He called for the reorganization and integration of the Centres to achieve economies of scale and lower the operating cost of the Centres.

34. CIT acknowledged Dr TAM's view and advised that ITC was looking into the feasibility of providing some form of central support (e.g. providing reference materials for annual salary adjustment) to help the centres strengthen the corporate governance front. This would also help them focus valuable resources on actual R&D and commercialization work. Options such as merging of the Centres, both in management and/or in physical terms, would be considered under the comprehensive review, with a view to achieving synergy and lowering the operating costs.

Summing up

35. The Chairman concluded that members of the Panel generally supported the work of the R&D Centres. He called on the Administration to step up promotion of R&D deliverables to the private and public sectors, especially through trial use so that more worthwhile projects such as the RFID, LED and Nano technologies, could be introduced to the industry and have more opportunities for commercialization.

VII. Any other business

36. There being no other business, the meeting ended at 4:30 pm.